

STATE OF LOUISIANA LEGISLATIVE ACTUARY

2002 ACTUARIAL REPORT ON LOUISIANA PUBLIC RETIREMENT SYSTEMS

October 2003



*John E. Sondergaard, E.A., M.A.A.A., F.C.A.
Legislative Actuary*

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2002 ACTUARIAL REPORT
ON
LOUISIANA PUBLIC
RETIREMENT SYSTEMS

October, 2003

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LOUISIANA PUBLIC RETIREMENT SYSTEMS

TABLE OF CONTENTS

Legislative Actuary's Transmittal Letter

PAGE(S)

EXECUTIVE SUMMARY

1-11

EMPLOYER FUNDING FOR PENSION BENEFITS

1. Funding Methods	12
2. Employer Contribution Rates	14
3. Employer Contribution Sources	16
4. Projected Employer Contribution History - State Retirement Systems	19
5. Funding Measure Under GASB	20
6. Funded Ratios	21
7. UAL Balances	24
8. Texaco Settlement	26
9. Experience Account Summary	28
10. Insurance Premium Tax Fund - Assessments	30
11. Asset Balances	33
12. Investment Returns	35
13. Participant Census and Payroll	36
14. Funding of TRSL Optional Retirement Plan	37

**BENEFIT FORMULAS, RETIREMENT ELIGIBILITY, AND
CONTRIBUTION RATES**

1. Benefit Accruals and Member Contribution Rates	38
2. Benefit Levels and Member Cost	42
3. Projected Contribution Rates	45

TABLE OF CONTENTS (Continued)

ACTUARIAL CONCERNS -- FUNDING ISSUES

1. Funding of UAL for State Systems	47
2. Future Investment Experience	54
3. Impact of Investments and Benefit Increases on Funded Ratios	56
4. Impact of Investments and Benefit Increases on Contributions	58
5. Recent Legislation Enacted to Reduce Contribution Requirements for MPERS and FRS	60
6. Cash Flow Concerns	65
7. Demographic Experience - TRSL	67
8. Active versus Inactive Trends	68
9. Impact of COLA Increases on Retiree Benefits	72

LEGISLATIVE CONCERNS:

10. Operation of Experience Account	76
11. Minimum Employer Contribution Limits Under State Constitution	78
12. Expansion of Military Service Credits	80
13. Enhancements to Public Plans are Actual or Potential Liabilities to the State	81
14. Paying Full Retirement Benefits to Members While Actively Employed	84
15. Impact of AG Opinion on DROP Interest Credited by TRSL and LASERS	86



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October 23, 2003

The Honorable M. J. "Mike" Foster
Governor of the State of Louisiana

The Honorable Charlie DeWitt.
Speaker of the House of Representatives

The Honorable John J. Hainkel, Jr.,
President of the Senate

RE: 2002 Annual Actuarial Report on Louisiana Public Retirement Systems

Gentlemen:

The Legislative Actuary is pleased to submit the 2002 Annual Actuarial Report on Louisiana Public Retirement Systems in accordance with Louisiana statutes R.S. 24:513C(1) and R.S. 11:271C(2). The actuarial and financial status of the thirteen state and statewide retirement systems are summarized as of June 30, 2002 in the following sections:

- **Executive Summary**
- **Employer Funding for Pension Benefits**
- **Benefit Formulas, Retirement Eligibility, and Contribution Rates**
- **Actuarial Concerns – Funding Issues**

The report is also available at www.la.state.la.us/actuary.htm along with comprehensive tables and graphs of the state system's Unfunded Accrued Liability obligations, including projected amortization schedules and outstanding balances.

Please direct any questions concerning this report to Mr. John E. Sondergaard, Legislative Actuary, at the above address.

Respectfully submitted,

John E. Sondergaard, EA, MAAA, FCA
Legislative Actuary

Enclosure

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

OFFICE OF LEGISLATIVE ACTUARY

2002 Actuarial Report on Louisiana Public Retirement Systems

Purpose of Report

2002 Report

The 2002 Actuarial Report on Louisiana Public Retirement Systems was prepared by the legislative actuary for the legislature, the governor, and other interested parties involved in the retirement systems' decision making process. This comprehensive actuarial report summarizes the financial status of the thirteen state and statewide retirement systems for fiscal years ending in 2002. It also outlines matters for legislative review that would enhance the stability and funding of the public retirement systems. The report includes data for the four state retirement systems and nine statewide retirement systems.

Louisiana Statutes

Pursuant to *Louisiana Statutes*, this report is being submitted to the governor and the legislature detailing the financial and actuarial history of the Louisiana Public Retirement Systems. The reports shall also include comments on any findings that may materially affect the actuarial soundness of the retirement systems.

State Systems

For the four state retirement systems, benefits are guaranteed under the state constitution.

LASERS - Louisiana State Employees' Retirement System

TRSL - Teachers' Retirement System of Louisiana

STPOL - State Police Pension and Retirement System

LSERS - Louisiana School Employees' Retirement System

Statewide Systems

For the nine statewide retirement systems, benefits are not guaranteed under the state constitution.

ASSR - Louisiana Assessors' Retirement Fund

CCRS - Clerks of Court Retirement and Relief Fund

DARS - District Attorneys' Retirement System

FRS - Firefighters' Retirement System

MERS - Municipal Employees' Retirement System - Plans A&B

MPERS - Municipal Police Employees' Retirement System

PERS - Parochial Employees' Retirement System - Plans A&B

RVRS - Registrars of Voters Employees' Retirement System

SPRF - Sheriffs' Pension and Relief Fund

Overall Funding for Pension Benefits*Actuarial Funding*

The accumulation of assets required to fund any retirement program is contingent upon the actuarial cost method used by each system, the actuarial assumptions employed in the actuarial calculations, and the asset valuation method adopted in the valuation process. Of primary importance is the selection of interest rate assumptions, which includes long term expectations for inflation and risk components. Interest rates used in the 2002 valuation of the thirteen state and statewide plans range from 7.0% to 8.25%.

Contributions

Pension benefit liabilities for all thirteen state and statewide retirement systems are funded through contributions from employers, members, various taxes, revenue sharing funds, Insurance Premium Tax Fund (IPTF), and through investment earnings on plan assets.

Employer contribution rates are actuarially determined each year through an actuarial valuation. Each system member's contribution rate is fixed by statute and may vary for different group classifications within a retirement system. For FRS, MPERS, and SPRF a portion of the employer contribution rate is set by statute. Any excess required above the statutory limit has been paid from the Insurance Premium Tax Fund (IPTF). In previous years, the IPTF funds allocated to these three systems have been sufficient to meet the

combined excess employer contribution. For FY 2002, the projected shortfall in available IPTF was \$9.6 million for FRS and \$2.2 million for SPRF. For FY 2003, the projected shortfall in available IPTF is \$14.2 million for FRS, \$12.1 million for MPERS, and \$8.1 million for SPRF. The employer is responsible for any additional funding requirements not covered by IPTF allocations.

Investment Income

Investment earnings include all income earned under the trust such as dividends, interest, and capital gains or losses, and are essential to meet the long range projections under the actuarial funding method and assumptions.

Employer Funding for Pension Benefits - State Retirement Systems***General***

The state of Louisiana is primarily responsible for funding the actuarial liabilities of the four state retirement systems - defined benefit plans - through general fund appropriations, either directly or as transfer payments to local school districts. The annual employer contribution includes the normal cost, amortization payment on unfunded accrued liability (UAL), and a state appropriation for the LSU Unfunded Plan under LASERS and TRSL. The UAL is that portion of the actuarial accrued liability not funded by the actuarial value of the system assets on a valuation date. If assets exceed the actuarial accrued liability then the system is fully funded with a positive credit balance. The normal cost is that portion equal to the year's expected additional benefit accrual.

Guaranteed Payment

Our state constitution guarantees an annual employer payment for the four state systems sufficient to pay the normal cost and amortize the initial unfunded accrued liability (established as of June 30, 1988) by the year 2029; 2009 for State Police. If the legislature fails to provide this payment, the state treasurer must pay the required amount from the state general fund upon a warrant issued by the administrative authority of the retirement system affected by the shortfall. The

constitution requires that the systems' liabilities must be *funded on an actuarially sound basis*.

UAL Balance

As of June 30, 2002, the four state systems had a Valuation UAL balance of \$7.7 billion:

VALUATION UAL BALANCES
(as of 6/30/2002)
(\$millions)

System	Actuarial Accrued Liability (AL)	Valuation Assets (VA)	Valuation UAL
LASERS	\$9,206.7	\$6,342.4	\$2,864.3
TRSL	\$16,263.2	\$11,746.1	\$4,517.2
STPOL	\$386.7	\$231.6	\$155.1
LSERS	\$1,582.1	\$1,431.1	\$151.0
Combined	\$27,438.7	\$19,751.2	\$7,687.6

The actual cost for FY 2003 to fund the \$7.7 billion Valuation UAL is \$447.8 million. This represents about 56.3% of the \$795.2 million of total employer costs required to actuarially fund the four unfunded state systems.

Projected Employer Contributions

LASERS

The total required employer contribution is paid directly from general fund appropriations, self-generated funds, and from the federal government for federally funded programs.

An additional state appropriation of \$5.1 million is required for FY 2003 to fund the LSU Unfunded Plan. This supplemental payment will not be required in future years, since an amount is to be released from the Texaco Funds that offsets the entire outstanding balance of its initial unfunded liability.

Projected Employer Contributions (\$millions)		
LASERS:	FY 2003	FY 2004
Employer Contribution	\$271.3	\$312.1
<i>Percent of Payroll</i>	<i>14.1%</i>	<i>15.8%</i>
LSU Unfunded Plan Appropriation	\$5.1	\$0.0

TRSL

The total required employer contribution is paid directly from general fund appropriations, local school districts, self-generated funds, and from the federal government for federally funded programs.

An additional state appropriation of \$5.5 million is required for FY 2003 to fund the LSU Unfunded Plan. This supplemental payment will not be required in future years since an amount will be released from the Texaco Funds to offset the entire outstanding balance of its initial unfunded liability.

Projected Employer Contributions (\$millions)		
TRSL:	FY 2003	FY 2004
Employer Contribution	\$403.0	\$443.0
<i>Percent of Payroll</i>	<i>13.1%</i>	<i>13.8%</i>
LSU Unfunded Plan Appropriation	\$5.5	\$0.0

STPOL

The total required employer contribution is paid directly from general fund appropriations and the IPTF (Insurance Premium Tax Fund).

Projected Employer Contributions (\$millions)		
STPOL:	FY 2003	FY 2004
From General Fund	\$20.5	\$21.0
<i>Percent of Payroll</i>	<i>60.5%</i>	<i>63.8%</i>
IPTF (Insurance Premium Tax Fund)	\$1.5	\$1.5

LSERS

The employer contribution is paid from local school district funds. As of June 30, 2002 this system is no longer fully funded and therefore requires both a normal cost and an amortization payment. The actuarial accrued liability balance exceeds the actuarial value of assets by \$151.0 million on that date. The \$43.8 million surplus from last year has been eliminated.

The actuarially determined amount for the fiscal year 2003 projected employer contribution is \$18.4 million. By statute the employer's contribution must be at least six percent of projected payroll, or \$15.7 million. The actuarially determined amount for the FY 2004 employer contribution is projected to be \$30.0 million, also greater than the six percent statutory minimum of \$16.0 million.

Projected Employer Contributions (\$millions)		
LSERS:	FY 2003	FY 2004
Actuarially Determined	\$18.4	\$30.0
Percent of Payroll	7.0%	11.2%
6% Minimum Required	\$15.7	\$16.0
Employer Contribution	\$18.4	\$30.0
<i>Percent of Payroll</i>	<i>7.0%</i>	<i>11.2%</i>
Excess Contribution	\$0.0	\$0.0

Act 1331 of the 1999 Regular Session established an **Employer Credit Account (ECA)** which consists of accumulated excess employer contributions over the actuarially required employer amounts. The account has an unadjusted balance of \$39.2 million as of June 30, 2002 from which to offset future required employer contributions.

Texaco Settlement Fund

The Texaco Settlement Fund evolved from a litigation settlement with Texaco. Under the terms of settlement, Texaco agreed to pay the proceeds to the state over a three-year period, commencing on February 28, 1994.

Based on a recommendation adopted by the Bond Commission, the settlement was paid to the three state retirement systems - LASERS, TRSL and STPOL - to assist in funding their initial unfunded accrued liabilities (IUAL). The allocated funds are treated as a separate account under each system's trust and credited with the actuarial rate of return for the year. When the account accumulates to the outstanding balance of the IUAL, or UAL if smaller, it will liquidate the liability.

Based on valuation interest rate assumptions, we project that the accumulated value of Texaco Settlement Funds will liquidate the applicable liability by the year 2028 for LASERS, 2027 for TRSL, and by the year 2008 for STPOL.

An additional allocation of \$19.4 million was granted to the STPOL fund, ACT 471 of the 1997 Regular Session, to accelerate payoff of the UAL. We project that this addition will complete applicable funding for the system two years sooner, by the year 2006.

Accumulating the Texaco funds will save the state substantial UAL payments that would otherwise be required until the year 2029.

TEXACO FUND BALANCES
(as of 6/30/2002)
(\$millions)

System	Accumulated Proceeds	Accumulated Interest	Balance
LASERS	\$64.3	\$53.9	\$118.2
TRSL	\$135.5	\$138.0	\$273.5
STPOL	\$24.7	\$15.3	\$40.1
Combined	\$224.6	\$207.1	\$431.7

LSU Unfunded Plan - An additional state appropriation has been required to amortize this supplemental portion of the Initial Unfunded Accrued Liability. After fiscal year 2003 this payment will not be required, since an amount is to be released from the Texaco Funds equal to its outstanding balance. The combined outstanding balance requirement would be

\$185.5 million (\$89.2 million for LASERS and \$96.3 million for TRSL) if offset on June 30, 2003.

Employer Funding for Pension Benefits - Statewide Retirement Systems

General

Employer contributions required to fund the actuarial liabilities for the nine statewide retirement systems - defined benefit plans - come from the sources listed in items 1 through 5 below. For example, the employer contribution for statewide system ASSR comes from local appropriations, ad valorem taxes, and general revenue sharing funds as listed under items 1 through 3 below.

Sources of Employer Contribution

System	Local 1	Ad Valorem 2	Revenue Sharing 3	IPTF 4	State General Fund 5
ASSR	x	x	x		
CCRS	x	x	x		
DARS		x	x		x
FRS	x			x	
MERS	x	x	x		
MPERS	x			x	
PERS	x	x	x		
RVRS	x	x	x		
SPRF	x	x	x	x	

1. Local appropriations from municipalities or parishes as a percent of member payroll
2. Percent of ad valorem taxes collectible by the rolls of each parish according to statute
3. General revenue sharing funds
4. Insurance premium tax funds
5. State general fund appropriations

UAL Balances

Under the state constitution, funding requirements for the nine statewide systems are actuarially determined. As for state systems, the annual employer contribution consists of a normal cost payment and (for those systems that generate a UAL under the actuarial funding method) an amortization payment to fund the

UAL. As of their 2002 fiscal year end, seven of the statewide unfunded systems had a combined UAL balance of \$818.7 million:

Statewide System	UAL Balance (\$millions)
ASSR	\$35.3
CCRS	\$77.9
FRS	\$246.0
MERS (Plans A & B)	\$74.3
MPERS	\$195.2
PERS Plan A	\$98.9
SPRF	\$91.1
Combined UAL	\$818.7

Aggregate Funding

Some of the statewide systems such as DARS, PERS (Plan B), and RVRs employ an actuarial funding method that makes no reference at all to an actuarial accrued liability for prior service (Aggregate Funding Method). Therefore, there is no UAL generated under this actuarial funding technique. For these systems, all employer costs are determined as future normal cost payments.

Projected Employer Contributions

The projected employer contributions for FY 2003 for the nine statewide systems are shown in the following section of the report titled **Employer Funding for Pension Benefits - Contribution Sources** (page 17).

Benefit Formulas and Contribution Rates

Retirement Eligibility

All thirteen state and statewide systems provide some combination of years of service and age in order to qualify for full retirement benefits. Some provide for an early retirement benefit based on actuarial reduction for the earlier benefit payout. Vested benefits, pre-retirement survivor death benefits, disability benefits, DROP benefits, and cost-of-living adjustments are also included in the overall benefit package of each system and are payable upon meeting established eligibility and statutory requirements.

Benefit Formulas

Louisiana's state and statewide systems provide retirement benefits that are based on a member's years of service, age, and final average compensation at retirement. They are commonly referred to as defined benefit plans.

Formula benefits accrue at a specific rate for each year of service. Final average compensation is based on the actual compensation received for the three (3) highest successive years before retirement. Benefits based on final average compensation are designed to provide a reasonable replacement of pre-retirement income for long service employees. Shorter service employees receive proportionally lower replacement benefits. Current accrual rates for regular TRSL and LASERS members are 2.5%. Accrual rates for other state and statewide systems generally range from 3.0% to 3.5% for each year of service.

Employee Contributions

All of the state and statewide systems require employee contributions as part of the overall funding requirement to pay for the proposed retirement benefits. The contribution rates are set by statute and range from 7.0% to 11.5% of pay.

Social Security

Social Security coverage is not provided to members during their years of participation in the state and statewide retirement systems with the exception of TRSL Plan B and two statewide plans – MERS Plan B and PERS Plan B. The current accrual rate for systems covered under Social Security is 2.0% for each year of service with contribution rates ranging from 3% to 5%.

Replacement Ratios

The replacement ratios included in part 2 of the **Benefits** section (page 42) show the amount of normal retirement benefit as a percent of pre-retirement salary for the thirteen retirement systems. They are based on years of service accumulated at retirement for a **new member**. Because of the different nature of the plans covering law enforcement officers and firefighters the replacement ratios are shown at age 55 versus age 65 for other employee groups.

The exhibit compares the replacement ratios and employee paid portions, including interest, for

retirement benefits payable at age 55 after 25 years of service under the various non-Social Security plans. Values are based on current benefit provisions and the salary increase assumptions of each retirement system. Our calculations show replacement ratios that vary from 70% to 84% for all state and statewide plans except regular LASERS (state employees) and TRSL (teachers), which are 60% and 59%. This includes 80% for the new Public Safety Plan versus 60% under the old Corrections Plan.

Contribution Rates

The last part of this section focuses on the actual projected rates for fiscal year 2003 and the total combined sources of contributions. For fiscal years in 2003 total contribution rates of the systems varied from 14.5% up to 73% of member payroll.

The exhibit illustrates and compares the total projected rates, from all sources including members, and the member rates only.

Actuarial Concerns / Funding Issues

Pension Problems

In this section of the report we address some of the concerns and issues impacting actuarial funding and pension benefits. Addressing potential pension problems in advance enables legislators to consider corrective steps to assure that our retirement systems are actuarially sound. Of particular importance are the two largest systems, LASERS and TRSL, representing about 72% of the 337,000 active and inactive members of the combined thirteen state and statewide retirement systems. Actuarial concerns are highlighted in order to give legislators a quick reading of pension issues that may require further attention.

***EMPLOYER
FUNDING
FOR
PENSION
BENEFITS***

1. Funding Methods

Funding Method

Although the employee contribution rate is fixed by statute, the employer contribution rate needed to support benefits is determined by the retirement system's actuary, to be reviewed by the legislative actuary and considered by PRSAC (Public Retirement Systems' Actuarial Committee) for adoption and recommendation to the legislature. This determination is accomplished by performing an annual actuarial valuation that calculates the total projected actuarial liability of the expected benefit payouts of each retirement system. An actuarial cost method allocates the computed actuarial liability between future normal cost payments and future amortization payments on the unfunded accrued liability (if any). All actuarial funding methods target to have contributions plus trust earnings accumulate to meet ultimate expected system benefits and expenses.

SYSTEM ACTUARIAL FUNDING METHODS as of June 30, 2002

State Systems:

System	Funding Method	Creates UAL
LASERS	Projected Unit Credit	yes
TRSL	Projected Unit Credit	yes
STPOL	Entry Age Normal	yes
LSERS	Entry Age Normal	yes

Statewide Systems:

System	Funding Method	Creates UAL
ASSR	Frozen Attained Age Normal	IUAL only
CCRS	Frozen Attained Age Normal	IUAL only
DARS	Aggregate	no
FRS	Entry Age Normal	yes
MERSA	Frozen Attained Age Normal	IUAL only
MERSB	Frozen Attained Age Normal	IUAL only
MPERS	Entry Age Normal	yes
PERSA	Frozen Attained Age Normal	IUAL only
PERSB	Aggregate	no
RVRS	Aggregate	no
SPRF	Frozen Attained Age Normal	IUAL only

Normal Cost

The total **Normal Cost** is that portion of the projected actuarial liability for benefits and expenses allocated to a valuation year by the applicable actuarial cost method. The portion of the total normal cost not funded by member contributions becomes the employer normal cost portion for the valuation year.

Accrued Liability

The portions of the total computed actuarial liabilities not funded as future normal cost payments is the actuarial **Accrued Liability**. Under certain actuarial cost methods it is the liability for benefit service already completed by the valuation population consisting of former active members and members that are currently active.

UAL

The **Unfunded Accrued Liability (UAL)** is that portion of the actuarial accrued liability that is not funded by the system's assets on the valuation date. The **Valuation UAL** is determined relative to **Valuation Assets** and consists of the unamortized values of the initial unfunded accrued liability (IUAL) and of the supplemental accrued liabilities that may be generated each year. These supplemental liabilities originate through actuarial gains or losses, changes in actuarial assumptions or funding methods, and any changes in benefit structures. The UAL is amortized according to the payment methods and periods specified by statute. Under some actuarial cost methods, supplemental accrued liabilities are not amortized and are funded as future normal cost payments.

Employer Contributions

Actuarially required employer contributions are determined by combining the normal cost with UAL amortization payments, along with any other cost items deemed necessary by the actuary to fund ultimate plan liabilities. Projected contribution rates are then established relative to projected payroll.

2. Employer Contribution Rates

Contribution Rates

The employer contribution rates are shown as a percent of payroll. In addition, various retirement systems also require supplemental appropriations from the state, ad valorem taxes, revenue sharing funds, and payments from the Insurance Premium Tax Fund (IPTF). The following contribution rates were adopted by PRSAC (Public Retirement Systems' Actuarial Committee).

Contribution Rates

State Systems

Fiscal Year 2003			
System	Actuarially Required	Projected Rate	LSU Unfunded or IPTF Funding
LASERS	15.5%	14.1%	\$5,126,348 LSU
TRSL	14.0%	13.1%	\$5,533,088 LSU
STPOL	61.9%	60.5%	\$1,500,000 IPTF
LSERS	11.2%	7.0%	n/a

Fiscal Year 2004			
System	Actuarially Required	Projected Rate	LSU Unfunded or IPTF Funding
LASERS	*	15.8%	\$0 LSU
TRSL	*	13.8%	\$0 LSU
STPOL	*	63.8%	\$1,500,000 IPTF
LSERS	*	11.2%	n/a

* The Actuarially Required Rates for Fiscal Year 2004 will be available with adoption of the June 30, 2003 Actuarial Valuations.

Ad Valorem Taxes

Ad valorem tax rates shown are a percentage of the aggregate taxes shown to be collectible by the tax rolls of each parish. For some systems, different percentages apply to Orleans Parish. Parochial Employees' Retirement System excludes Orleans and East Baton Rouge Parishes from the tax rolls. TRSL is also entitled to one percent except from Orleans Parish.

**Rates for Local Appropriations
(Percent of Payroll)**

Statewide Systems

Fiscal Year 2003 *		
System	Actuarially Required	Projected Rate
ASSR	11.95%	12.75%
CCRS	11.36%	8.75%
DARS	0.00%	0.00%
FRS	20.78%	18.25%
MERSA	10.78%	8.00%
MERSB	7.53%	6.25%
MPERS	15.50%	9.00%
PERSA	11.22%	7.25%
PERSB	5.18%	3.75%
RVRS	2.91%	0.00%
SPRF	9.15%	7.75%

**Rate for Total Public Funds
(Local Projected Rate as Percent of Payroll)**

Fiscal Year 2004 *				
System	IPTF FY 2002	Ad Valorem FY 2002	Revenue Sharing FY 2002	Local Projected Rate
ASSR	n/a	0.2500 %	Max	12.00%
CCRS	n/a	0.2500 %	Max	11.50%
DARS	n/a	0.1710 %	Max	0.00%
FRS ⁽¹⁾	\$14,668,649	n/a	n/a	21.00%
MERSA	n/a	0.1866 %	Max	11.00%
MERSB	n/a	0.0634 %	Max	7.75%
MPERS ⁽¹⁾	\$8,689,205	n/a	n/a	15.25%
PERSA	n/a	0.2190 %	Max	11.75%
PERSB	n/a	0.0310 %	Max	5.25%
RVRS ⁽²⁾	n/a	0.0625 %	Max	3.25%
SPRF ⁽¹⁾	\$8,689,205	0.5000 %	Max	9.25%
<p>(1) For FY 2002 IPTF paid \$15,115,035 to Firefighters, \$ 9,135,591 to Sheriffs, and \$5,535,258 to Municipal Police.</p> <p>(2) The Ad Valorem Tax for Registrars of Voters includes the Defined Contribution allocation, if applicable.</p>				

* Values based on 6/30 FYE & 2002 Valuation, except Assessors' (9/30 & 2002) and Parochial (12/31 & 2002).

3. Employer Contribution Sources

State Systems

The State of Louisiana is primarily responsible for funding the actuarial liabilities of the four state retirement systems - defined benefit plans - through general fund appropriations, agency self-generated funds, IPTF (Insurance Premium Tax Fund allowances), or as transfer payments to local school districts. Since other funding sources that are available to the various participating employers may vary at any given time, a breakdown of their amounts is unfeasible. Sources provided below reflect the primary contribution sources for each state system.

Projected Employer Contribution for FY 2003 (\$millions)

LASERS

Source	Normal Cost	UAL Payment	Total	LSU Unfunded
General Fund (Primary)	\$125.2	\$146.2	\$271.3	\$5.1

TRLS

Source	Normal Cost	UAL Payment	Total	LSU Unfunded
General Fund (Primary)	\$194.0	\$209.1	\$403.0	\$5.5

LSERS

Source	Normal Cost	UAL Payment	Total	Added by Statute
Local School Districts	\$20.9	(\$2.4)	\$18.4	\$0.0

STPOL

Source	Normal Cost	UAL Payment	Total	
General Fund (Primary) & IPTF	\$4.2	\$17.7	\$22.0	

Combined State Systems

Source	Normal Cost	UAL Payment	Total	LSU Unfunded
Combined Sources	\$344.3	\$370.5	\$714.8	\$10.7

Statewide Systems

The following tables list the funding sources for the nine statewide retirement systems. Total public funds include local appropriations, ad valorem taxes, general revenue sharing funds, and insurance premium tax funds. An initial fixed rate for local appropriations is set by statute at 9% of payroll for Firefighters and Municipal Police Systems and 7% (effective 7/1/2001) of payroll for Sheriffs' System. Employee contributions are not included in the amounts shown below. The following contribution rates were adopted by PRSAC (Public Retirement Systems' Actuarial Committee).

Projected Employer Contributions FY 2003 *
(\$millions)

ASSR

Source	\$ Amount	% Payroll
Local Appropriations	\$3.48	12.75%
Ad Valorem Taxes	\$5.74	21.05%
Revenue Sharing	\$0.35	1.30%
IPTF	\$0.00	0.00%
Total Public Funds	\$9.57	35.10%

CCRS

Source	\$ Amount	% Payroll
Local Appropriations	\$5.79	8.75%
Ad Valorem Taxes	\$4.37	6.61%
Revenue Sharing	\$0.32	0.49%
IPTF	\$0.00	0.00%
Total Public Funds	\$10.48	15.85%

DARS

Source	\$ Amount	% Payroll
Local Appropriations	\$0.00	0.00%
Ad Valorem Taxes	\$2.95	8.18%
Revenue Sharing	\$0.13	0.37%
IPTF	\$0.00	0.00%
Total Public Funds	\$3.08	8.55%

FRS

Source	\$ Amount	% Payroll
Local Appropriations	\$22.00	18.25%
Ad Valorem Taxes	\$0.00	0.00%
Revenue Sharing	\$0.00	0.00%
IPTF	\$14.67	12.17%
Total Public Funds	\$36.67	30.42%

MERSA

Source	\$ Amount	% Payroll
Local Appropriations	\$10.72	8.00%
Ad Valorem Taxes	\$2.93	2.19%
Revenue Sharing	\$0.12	0.09%
IPTF	\$0.00	0.00%
Total Public Funds	\$13.77	10.28%

* Values based on 6/30 FYE & 2002 Valuation, except Assessors' (9/30 & 2002) and Parochial (12/31 & 2002).

Projected Employer Contributions FY 2003 *
(\$millions)

MERSB

Source	\$ Amount	% Payroll
Local Appropriations	\$2.81	6.25%
Ad Valorem Taxes	\$0.98	2.18%
Revenue Sharing	\$0.04	0.09%
IPTF	\$0.00	0.00%
Total Public Funds	\$3.83	8.52%

MPERS

Source	\$ Amount	% Payroll
Local Appropriations	\$17.10	9.00%
Ad Valorem Taxes	\$0.00	0.00%
Revenue Sharing	\$0.00	0.00%
IPTF	\$8.69	4.57%
Total Public Funds	\$25.79	13.57%

PERSA

Source	\$ Amount	% Payroll
Local Appropriations	\$27.91	7.25%
Ad Valorem Taxes	\$3.58	0.93%
Revenue Sharing	\$0.14	0.04%
IPTF	\$0.00	0.00%
Total Public Funds	\$31.63	8.22%

PERSB

Source	\$ Amount	% Payroll
Local Appropriations	\$2.07	3.75%
Ad Valorem Taxes	\$0.51	0.92%
Revenue Sharing	\$0.02	0.04%
IPTF	\$0.00	0.00%
Total Public Funds	\$2.60	4.71%

RVRS

Source	\$ Amount	% Payroll
Local Appropriations	\$0.00	0.00%
Ad Valorem Taxes	\$1.08	15.35%
Revenue Sharing	\$0.11	1.58%
IPTF	\$0.00	0.00%
Total Public Funds	\$1.19	16.93%

SPRF

Source	\$ Amount	% Payroll
Local Appropriations	\$29.27	7.75%
Ad Valorem Taxes	\$8.74	2.32%
Revenue Sharing	\$0.43	0.11%
IPTF	\$8.69	2.30%
Total Public Funds	\$47.13	12.48%

* Values based on 6/30 FYE & 2002 Valuation, except Assessors' (9/30 & 2002) and Parochial (12/31 & 2002).

4. Projected Employer Contribution History – State Retirement Systems

Projected Employer Contribution History (\$millions)

as of June 30, 2002

LASERS

Component	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Normal Cost	\$133.8	\$125.2	\$116.1	\$118.6	\$107.5
UAL Payment	\$178.3	\$146.2	\$123.1	\$126.0	\$113.5
Total	\$312.1	\$271.3	\$239.2	\$244.6	\$221.0
Percent of Payroll	15.8%	14.1%	13.0%	13.0%	12.3%
Payroll \$	\$1,981.3	\$1,922.0	\$1,840.3	\$1,879.2	\$1,793.2
LSU Unfunded Pmt	\$0.0	\$5.1	\$4.9	\$4.7	\$4.5

TRSL

Component	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Normal Cost	\$198.8	\$194.0	\$180.7	\$181.6	\$183.8
UAL Payment	\$244.2	\$209.1	\$194.5	\$221.7	\$245.2
Total	\$443.0	\$403.0	\$375.2	\$403.4	\$429.1
Percent of Payroll	13.8%	13.1%	13.1%	14.2%	15.2%
Payroll \$	\$2,962.5	\$2,869.6	\$2,668.1	\$2,648.1	\$2,654.2
LSU Unfunded Pmt	\$0.0	\$5.5	\$5.3	\$5.1	\$4.8

LSERS

Component	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Normal Cost	\$21.5	\$20.9	\$18.1	\$17.1	\$16.0
UAL Payment	\$8.5	(\$2.4)	(\$14.4)	(\$13.2)	(\$10.7)
Actuarial Total	\$30.0	\$18.4	\$3.7	\$3.9	\$5.3
Percent of Payroll	11.2%	7.0%	1.5%	1.6%	2.2%
Payroll \$	\$267.4	\$261.3	\$252.0	\$243.4	\$238.2
<i>Minimum Required</i>	\$16.0	\$15.7	\$15.1	\$14.6	\$14.3
<i>6% Contribution</i>	6.0%	6.0%	6.0%	6.0%	6.0%

STPOL

Component	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Normal Cost	\$4.2	\$4.2	\$4.1	\$4.1	\$3.3
UAL Payment	\$18.3	\$17.7	\$16.4	\$16.6	\$16.4
Total	\$22.5	\$22.0	\$20.4	\$20.7	\$19.7
Percent of Payroll	68.4%	65.0%	56.4%	55.8%	63.5%
Payroll \$	\$32.9	\$33.8	\$36.2	\$37.2	\$31.0
% After IPTF *	63.8%	60.5%	52.2%	n/a	n/a
* \$1,500,000 payable from IPTF (Insurance Premium Tax Fund) effective July 1, 2001.					

5. Funding Measure Under GASB

Funding Progress

Under Governmental Accounting Standards Board (GASB), public retirement systems show the development of funding progress by including the ratio of net unfunded accrued liabilities (UAL reduced by Texaco and ECA) to the valuation payroll as of the valuation date. Such ratios over time indicate whether or not the system is becoming financially stronger. Usually, the smaller the ratio trends, the stronger the system is financially. This is because the impact of funding liabilities allocated to past service is reducing relative to the growth in membership payroll.

No values are developed for those statewide systems that utilize the Aggregate Funding Method since this method does not generate unfunded actuarial accrued liabilities.

Net UAL as a Percent of Valuation Payroll *

State Systems

System	FY 2002	FY 2001	FY 2000	FY 1999
LASERS	147.5%	125.3%	114.6%	115.6%
TRSL	152.8%	128.9%	125.9%	148.7%
STPOL	362.8%	292.5%	278.8%	349.3%
LSERS	43.2%	-39.8%	-134.0%	-130.3%

Statewide Systems

ASSR	133.9%	133.4%	133.8%	141.7%
CCRS	121.5%	126.9%	133.5%	141.4%
DARS	0.0%	0.0%	n/a	n/a
FRS	215.0%	159.4%	132.3%	81.0%
MERSA	52.0%	52.9%	52.1%	52.6%
MERSB	15.3%	16.3%	18.2%	18.7%
MPERS	104.1%	-7.7%	-67.4%	-76.9%
PERSA	26.5%	32.7%	32.7%	36.4%
PERSB	0.0%	0.0%	n/a	n/a
RVRS	0.0%	0.0%	n/a	n/a
SPRF	25.3%	26.6%	28.3%	29.5%

* Values based on 6/30 FYE & 2002 Valuation, except Assessors' (9/30 & 2002) and Parochial (12/31 & 2002).

6. Funded Ratios

Funded Ratios

Measuring assets against liabilities can vary depending upon purpose. To determine the system's funding progress, all actuarial assets available for plan benefits (without adjustment for Texaco Settlement Account, Experience Account, Employer Credit Account, or LSU Ag) are measured against the actuarial liability of projected accrued benefits (PBO).

The PBO is a consistent measure of accrued benefits which is independent of the selected actuarial cost method. The resulting values follow the actuarial accrued liability calculated under the projected unit credit cost method prorated on service. The ratio of actuarial value of assets to PBO derives the funded ratio.

Funding Progress (\$millions) as of June 30, 2002

State Systems

System	Actuarial Value of Assets	PBO	Funded Ratio
LASERS	\$6,189.7	\$9,206.7	67.2%
TRSL	\$11,713.1	\$16,263.2	72.0%
STPOL	\$271.7	\$369.6	73.5%
LSERS	\$1,470.2	\$1,621.7	90.7%
State Total	\$19,644.7	\$27,461.3	71.5%

Funding Progress *
(\$millions)

Statewide Systems

System	Actuarial Value of Assets	PBO	Funded Ratio
ASSR	\$104.7	\$170.8	61.3%
CCRS	\$204.9	\$282.6	72.5%
DARS	\$153.3	\$130.2	117.7%
FRS	\$642.9	\$858.7	74.9%
MERSA	\$463.5	\$542.2	85.5%
MERSB	\$88.7	\$101.5	87.4%
MPERS	\$1,189.4	\$1,243.7	95.6%
PERSA	\$1,215.0	\$1,336.4	90.9%
PERSB	\$84.6	\$78.0	108.4%
RVRS	\$44.1	\$45.2	97.7%
SPRF	\$868.7	\$1,031.9	84.2%
<i>Statewide Total</i>	\$5,059.8	\$5,821.1	86.9%

Funding Progress *
(\$millions)

All Systems Combined

System	Actuarial Value of Assets	PBO	Funded Ratio
<i>Combined Total</i>	\$24,704.5	\$33,282.4	74.2%

* Values based on 6/30 FYE & 2002 Valuation, except Assessors' (9/30 & 2002) and Parochial (12/31 & 2002).

Funding Eligibility for COLAs

Under current statutes, if the "Target Ratio" is less than the "Actual Funded Ratio", the retirement system may consider granting COLA benefits. For an Actual Funded Ratio the state systems and Municipal Police compare Valuation Assets to the accrued liability under the funding method. Valuation Assets do not include Texaco Settlement Account, Experience Account, or Employer Credit Account balances. All other statewide systems compare Actuarial Value of Assets to the actuarial liability of projected accrued benefits (PBO). The ratio is then compared to the formula Target Ratio.

Funding Eligibility for COLAs as of June 30, 2002

State Systems

System	Target Ratio	Actual Funded Ratio
LASERS	*	68.9%
TRSL	*	72.2%
STPOL	56.1%	59.9%
LSERS	100.0%	90.5%

* Act 402 of the 1999 Regular Session omitted the Target Ratio Test for this system.

Funding Eligibility for COLAs *

Statewide Systems

System	Target Ratio	Actual Funded Ratio
ASSR	73.5%	61.3%
CCRS	63.9%	72.5%
DARS	89.6%	117.7%
FRS	74.0%	74.9%
MERSA	76.9%	85.5%
MERSB	74.2%	87.4%
MPERS	100.0%	85.9%
PERSA	71.2%	90.9%
PERSB	97.3%	108.4%
RVRS	94.2%	97.7%
SPRF	74.8%	84.2%

* Values based on 6/30 FYE & 2002 Valuation, except Assessors' (9/30 & 2002) and Parochial (12/31 & 2002).

7. UAL Balances

Valuation Balances

Valuation Unfunded Accrued Liability (UAL) values are dependent on the particular actuarial funding method selected for the system. UAL bases are amortized over a number of years specified in statutes. Certain funding methods do not have UAL bases and spread all costs over the participant's future working lifetime. The Valuation UAL balances of the state systems are not reduced by assets allocated to the Texaco Settlement Account, Experience Account, and Employer Credit Account, where applicable.

Valuation UAL Balance * (\$millions)

State Systems

System	FY 2002	FY 2001	FY 2000
LASERS	\$2,864.3	\$2,357.9	\$2,209.5
TRSL	\$4,517.2	\$3,618.7	3,518.0
STPOL	\$155.1	\$133.4	131.2
LSERS	\$151.0	(\$43.8)	(264.4)
State Total	\$7,687.6	\$6,066.3	\$5,594.3

Statewide Systems

System	FY 2002	FY 2001	FY 2000
ASSR	\$35.3	\$34.8	\$34.3
CCRS	\$77.9	\$77.5	\$77.9
DARS	\$0.0	\$0.0	\$0.0
FRS	\$246.0	\$171.6	\$132.9
MERSA	\$67.7	\$66.3	\$64.9
MERSB	\$6.7	\$6.9	\$7.6
MPERS	\$195.2	(\$14.1)	\$(110.3)
PERSA	\$98.9	\$102.3	\$110.3
PERSB	\$0.0	\$0.0	\$0.0
RVRS	\$0.0	\$0.0	\$0.0
SPRF	\$91.1	\$89.7	\$88.2
Statewide Total	\$818.7	\$535.0	\$405.8

All Systems Combined

System	FY 2002	FY 2001	FY 2000
Combined Total	\$8,506.3	\$6,601.3	\$6,000.1

* Values based on 6/30 FYE & 2002 Valuation, except Assessors' (9/30 & 2002) and Parochial (12/31 & 2002).

Financial Balances

The financial Net UAL balance is equal to the Valuation UAL balance adjusted for Texaco Settlement funds and Employer Credit Accounts. The balances shown below for the three unfunded systems include amounts held in suspense accounts set up to hold the monies received from the Texaco Settlement. LSERS includes the Employer Credit Account balance.

Net UAL Balance
(\$millions)
as of June 30, 2002

State Systems

System	FY 2002	FY 2001	FY 2000
LASERS	\$2,746.1	\$2,234.3	\$2,086.3
TRSL	\$4,243.7	\$3,328.3	\$3,227.7
STPOL	\$115.0	\$94.1	\$93.7
LSERS	\$111.8	(\$99.4)	(\$323.1)
Total	\$7,216.7	\$5,557.2	\$5,084.7

8. Texaco Settlement

Texaco Settlement Fund

Under Act 4 of the 1994 R.S., the three state systems (LASERS, TRSL & STPOL) began receiving funds from the Texaco Settlement as state aid to accelerate the payoff of the unfunded accrued liability. These funds are held in a suspense account and are not used as an offset to the regular employee UAL amortization payments under Act 257 of the 1992 R.S. The settlement funds are credited with the respective actuarial rate of return earned by each system.

Once the accumulated value of the account balance equals the outstanding balance of the initial unfunded accrued liability, or UAL if smaller, for each system, the account will liquidate the appropriate liability.

Texaco Fund Summary (\$millions) as of June 30, 2002

Unfunded Systems Combined

Fiscal Year	Allocation	Interest	Balance
1993	\$0.0	\$0.0	\$0.0
1994	\$116.2	\$0.0	\$116.2
1995	\$44.1	\$8.1	\$168.5
1996	\$44.1	\$26.0	\$238.6
1997	\$20.0	\$31.7	\$290.4
1998	\$0.0	\$52.7	\$343.1
1999	\$0.0	\$46.2	\$389.3
2000	\$0.0	\$61.7	\$451.0
2001	\$0.0	\$2.5	\$453.4
2002	\$0.0	(\$21.7)	\$431.7
TOTAL	\$224.6	\$207.1	\$431.7

Texaco Fund Summary

(\$millions)

as of June 30, 2002

LASERS

Fiscal Year	Allocation	Interest	Balance
1993	\$0.0	\$0.0	\$0.0
1994	\$36.0	\$0.0	\$36.0
1995	\$13.8	\$3.4	\$53.2
1996	\$13.8	\$6.6	\$73.6
1997	\$0.7	\$10.4	\$84.7
1998	\$0.0	\$11.0	\$95.7
1999	\$0.0	\$12.5	\$108.3
2000	\$0.0	\$14.9	\$123.2
2001	\$0.0	\$0.5	\$123.6
2002	\$0.0	(\$5.4)	\$118.2
TOTAL	\$64.3	\$53.9	\$118.2

TRSL

Fiscal Year	Allocation	Interest	Balance
1993	\$0.0	\$0.0	\$0.0
1994	\$77.2	\$0.0	\$77.2
1995	\$29.2	\$4.4	\$110.8
1996	\$29.2	\$18.9	\$158.9
1997	\$0.0	\$20.4	\$179.3
1998	\$0.0	\$37.2	\$216.5
1999	\$0.0	\$30.3	\$246.8
2000	\$0.0	\$43.5	\$290.3
2001	\$0.0	\$0.2	\$290.5
2002	\$0.0	(\$17.0)	\$273.5
TOTAL	\$135.5	\$138.0	\$273.5

STPOL

Fiscal Year	Allocation	Interest	Balance
1993	\$0.0	\$0.0	\$0.0
1994	\$3.1	\$0.0	\$3.1
1995	\$1.2	\$0.2	\$4.5
1996	\$1.2	\$0.5	\$6.1
1997	\$19.4	\$0.9	\$26.4
1998	\$0.0	\$4.4	\$30.8
1999	\$0.0	\$3.4	\$34.3
2000	\$0.0	\$3.3	\$37.5
2001	\$0.0	\$1.8	\$39.4
2002	\$0.0	\$0.7	\$40.1
TOTAL	\$24.7	\$15.3	\$40.1

9. Experience Account Summary

Establishment

The 1992 RS established an Experience Account (EA) for LASERS and TRSL to provide for cost-of-living (COLA) benefits for retirees. Each year the EA is credited or debited with 50% of the net investment experience gain or loss together with interest on the beginning account balance.

Before the EA was enacted, the full investment gain or loss was amortized to adjust future employer contribution amounts. This was required to maintain an actuarially sound funding method.

EA Operation

The EA balance is created by diverting trust assets from the funding process. Those assets are then returned when COLA benefits are approved. Although the EA balance may represent an amount of funds sufficient to cover the expected value of COLA benefits, it does not in itself provide the actual funding necessary to ultimately pay for COLA liabilities. Rather, funding for COLAs requires additional employer contributions.

Experience Account History (\$millions) as of June 30, 2002

Combined Systems

Fiscal Year	Allocation	Interest	Disburse	Balance	Impact on UAL
1992	\$60.7	\$0.0	\$0.0	\$60.7	\$60.7
1993	\$94.9	\$6.4	\$0.0	\$161.9	\$161.9
1994	\$33.1	\$14.8	\$0.0	\$209.8	\$209.8
1995	(\$52.9)	\$13.4	\$129.4	\$40.9	\$170.3
1996	\$345.3	\$4.1	\$58.4	\$331.9	\$519.7
1997	\$273.3	\$43.6	\$0.0	\$648.8	\$836.6
1998	\$577.8	\$118.2	\$309.4	\$1,035.3	\$1,532.6
1999	\$372.8	\$142.6	\$126.8	\$1,423.9	\$2,048.0
2000	\$608.2	\$236.9	\$170.2	\$2,098.9	\$2,893.1
2001	(\$685.6)	\$2.7	\$565.9	\$850.1	\$2,210.3
2002	(\$1,214.0)	(\$47.0)	\$166.2	(\$577.2)	\$1,526.4
TOTAL	\$413.6	\$535.6	\$1,526.4	(\$577.2)	\$1,526.4

The combined balance in the Experience Account for LASERS and TRSL is (\$577.2) million, negative as of June 30, 2002. Last year the combined balance was a positive \$850.1 million.

Experience Account History

(\$millions)

as of June 30, 2002

LASERS

Fiscal Year	Allocation	Interest	Disburse	Balance	Impact on UAL
1992	\$27.3	\$0.0	\$0.0	\$27.3	\$27.3
1993	(\$2.8)	\$2.2	\$0.0	\$26.7	\$26.7
1994	\$8.5	\$2.4	\$0.0	\$37.6	\$37.6
1995	\$20.6	\$3.6	\$0.0	\$61.8	\$61.8
1996	\$73.8	\$7.6	\$58.4	\$84.8	\$143.2
1997	\$116.2	\$11.9	\$0.0	\$212.9	\$271.4
1998	\$104.6	\$27.6	\$90.0	\$255.1	\$403.5
1999	\$119.6	\$33.4	\$42.9	\$365.1	\$556.5
2000	\$150.0	\$50.3	\$57.9	\$507.5	\$756.9
2001	(\$236.3)	\$1.9	\$89.1	\$184.0	\$522.4
2002	(\$394.4)	(\$8.1)	\$52.5	(\$270.9)	\$390.9
TOTAL	(\$12.8)	\$132.8	\$390.9	(\$270.9)	\$390.9

TRSL

Fiscal Year	Allocation	Interest	Disburse	Balance	Impact on UAL
1992	\$33.4	\$0.0	\$0.0	\$33.4	\$33.4
1993	\$97.6	\$4.2	\$0.0	\$135.2	\$135.2
1994	\$24.5	\$12.4	\$0.0	\$172.1	\$172.1
1995	(\$73.4)	\$9.8	\$129.4	(\$20.9)	\$108.5
1996	\$271.5	(\$3.6)	\$0.0	\$247.0	\$376.5
1997	\$157.1	\$31.7	\$0.0	\$435.8	\$565.2
1998	\$473.3	\$90.5	\$219.4	\$780.3	\$1,129.1
1999	\$253.2	\$109.2	\$83.8	\$1,058.8	\$1,491.5
2000	\$458.2	\$186.6	\$112.3	\$1,591.4	\$2,136.3
2001	(\$449.3)	\$0.8	\$476.9	\$666.1	\$1,687.9
2002	(\$819.6)	(\$38.9)	\$113.7	(\$306.2)	\$1,135.5
TOTAL	\$426.5	\$402.9	\$1,135.5	(\$306.2)	\$1,135.5

10. Insurance Premium Tax Fund (IPTF) - Assessments

Statewide Systems

The Commission deposits 0.7% (0.007) of the Net Premiums with the state treasurer for the exclusive use of the three statewide retirement systems MPERS, FRS, and SPRF, and for certain costs of STPOL. Net Premiums are the gross direct premiums received in the state, in the preceding year, from insurers doing business in Louisiana and subject to this Part, less returned premiums.

Beginning July 1, 2001, allocation priorities were changed to give the first twenty-five percent of the assessment for merger funding, with first priority going to pay certain actuarial costs of the state police retirement system (STPOL) up to \$1,500,000. Any remaining funds are then evenly split between the three statewide systems toward meeting the applicable portion of their actuarially required contribution. Any amounts not required by a system are divided equally as needed by the remaining systems. All unused amounts are remitted to the state general fund.

Under law in effect prior to July 1, 2001, funds were first applied to the applicable portion of the actuarially required contributions. Second, the assessment was used for funding of mergers. The aggregate of all mergers being funded in one year could not exceed 25% of the total year's assessment.

Mergers are funded over a 30-year period, unless a shorter period is approved by PRSAC. A shorter period is limited to 5% of the total assessment in any one-year.

The applicable (remaining) portion of the actuarially required contribution is that amount required after receipt of employee and employer contributions and all dedicated funds and taxes.

Available IPTF Funds
(\$millions)

Written Premium Basis	For Calendar Year	Net Premium	Assessment for Deposit	Merger Limit
1990	1991	\$3,301.8	\$23.1	\$5.8
1991	1992	\$3,399.3	\$23.8	\$5.9
1992	1993	\$3,470.8	\$24.3	\$6.1
1993	1994	\$3,452.4	\$24.2	\$6.0
1994	1995	\$3,897.2	\$27.3	\$6.8
1995	1996	\$4,235.4	\$29.6	\$7.4
1996	1997	\$4,158.0	\$29.1	\$7.3
1997	1998	\$4,298.5	\$30.1	\$7.5
1998	1999	\$4,424.8	\$31.0	\$7.7
1999	2000	\$4,376.8	\$30.6	\$7.7
2000	2001	\$4,469.4	\$31.3	\$7.8
2001	2002	\$4,792.0	\$33.5	\$8.4

The IPTF allocation is applied to meet the required contribution remaining after receipt of employee and employer contributions and all dedicated funds and taxes. Unused IPTF funds are then returned to the state general fund.

Allocated IPTF Funds
(\$millions)

Calendar Year	Plan's Fiscal Year Ending	Actual Deposit	Retirement Committee IPTF Allocation	Remainder to General Fund
1993	1994	\$23.2	\$8.1	\$15.1
1994	1995	\$24.0	\$10.8	\$13.2
1995	1996	\$23.7	\$13.5	\$10.2
1996	1997	\$28.0	\$10.5	\$17.5
1997	1998	\$29.1	\$12.7	\$16.4
1998	1999	\$30.1	\$9.0	\$21.1
1999	2000	\$31.0	\$13.6	\$17.4
2000	2001	\$30.6	\$23.0	\$7.6
2001	2002	\$31.3	\$31.3	\$0.0
2002	2003	\$33.5	\$33.5	\$0.0

**Retirement Committee IPTF Allocation
By System
(\$millions)**

Fiscal Year	FRS	SPRF	MPERS	STPOL
1994	\$1.1	\$4.3	\$2.8	\$0.0
1995	\$2.5	\$4.7	\$3.6	\$0.0
1996	\$6.3	\$2.2	\$5.0	\$0.0
1997	\$9.0	\$0.0	\$1.5	\$0.0
1998	\$9.6	\$0.0	\$3.0	\$0.0
1999	\$9.0	\$0.0	\$0.0	\$0.0
2000	\$11.6	\$2.0	\$0.0	\$0.0
2001	\$19.7	\$3.3	\$0.0	\$0.0
2002	\$15.1	\$9.1	\$5.5	\$1.5
2003	\$14.7	\$8.7	\$8.7	\$1.5
10 Yrs Total	\$98.6	\$34.3	\$30.1	\$3.0

11. Asset Balances

Assets

Assets held in retirement trusts are built from contributions and earnings thereon. Market Value (fair value) of assets is required for GASB financial reporting including asset/liability and income/expense statements. **Actuarial Value of Assets** is applied for valuation purposes in all thirteen state and statewide systems to smooth market value gains and losses.

The state plans use the term **Valuation Assets** since the actuarial value is reduced for special accounts (Experience Account, Texaco Funds, LSU AG, Employer Credit Account). This value is used to determine annual employer funding requirements and COLA Target Funding tests.

Asset Values (\$millions) as of June 30, 2002

State Systems

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
LASERS	\$5,619.9	\$6,189.7	\$6,342.4
TRSL	\$10,628.5	\$11,713.1	\$11,746.1
STPOL	\$248.3	\$271.7	\$231.6
LSERS	\$1,377.0	\$1,470.2	\$1,431.1
State Total	\$17,873.6	\$19,644.7	\$19,751.2
Percent of Market Value	100.0%	109.9%	110.5%

Asset Values *
(\$millions)

Statewide Systems

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
ASSR	\$94.2	\$104.7	\$104.7
CCRS	\$193.9	\$204.9	\$204.9
DARS	\$135.2	\$153.3	\$153.3
FRS	\$620.9	\$642.9	\$642.9
MERSA	\$432.7	\$463.5	\$463.5
MERSB	\$81.8	\$88.7	\$88.7
MPERS	\$1,098.2	\$1,189.4	\$1,189.4
PERSA	\$1,218.8	\$1,215.0	\$1,215.0
PERSB	\$85.2	\$84.6	\$84.6
RVRS	\$42.7	\$44.1	\$44.1
SPRF	\$820.1	\$868.7	\$868.7
Statewide Total	\$4,823.7	\$5,059.8	\$5,059.8
Percent of Market Value	100.0%	104.9%	104.9%

All Systems Combined

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
Total For All Systems:	\$22,697.3	\$24,704.5	\$24,811.0
Percent of Market Value	100.0%	108.8%	109.3%

* Values based on 6/30 FYE & 2002 Valuation, except Assessors' (9/30 & 2002) and Parochial (12/31 & 2002).

12. Investment Returns

Annual Rate of Return *

State Systems

	FY 2002		FY 2001		
System	Market Value	Actuarial Value of Assets	Market Value	Actuarial Value of Assets	Expected Long Term
LASERS	-5.63%	-4.40%	-6.25%	0.37%	8.25%
TRSL	-8.08%	-5.84%	-4.73%	0.05%	8.25%
STPOL	-2.82%	1.75%	-0.56%	4.91%	7.50%
LSERS	-3.44%	-2.75%	-1.85%	1.77%	7.50%

Statewide Systems

	FY 2002		FY 2001		
System	Market Value	Actuarial Value of Assets	Market Value	Actuarial Value of Assets	Expected Long Term
ASSR	-4.9%	-3.4%	-10.1%	-0.3%	8.00%
CCRS	-3.0%	-0.3%	-1.5%	4.2%	8.00%
DARS	-9.1%	-1.1%	-9.7%	4.4%	8.00%
FRS	-3.7%	-3.0%	-2.9%	0.7%	7.00%
MERSA	-1.8%	1.1%	-4.2%	4.5%	8.00%
MERSB	-2.8%	0.3%	-4.2%	4.2%	8.00%
MPERS	-5.3%	-4.1%	-3.4%	1.7%	7.00%
PERSA	-2.7%	-1.2%	-0.8%	4.5%	8.00%
PERSB	0.0%	0.5%	2.7%	5.9%	8.00%
RVRS	-3.0%	0.5%	5.9%	4.0%	8.00%
SPRF	-3.0%	0.3%	-0.8%	3.3%	8.00%

* Values based on 6/30 FYE & 2002 Valuation, except Assessors' (9/30 & 2002) and Parochial (12/31 & 2002).

Indices

	FY 2002	FY 2001
Indices:	Annual Rate	Annual Rate
CPI ⁽¹⁾	1.1%	3.3%
Lehman Brothers ⁽²⁾	8.6%	11.2%
S&P 500 ⁽³⁾	-18.0%	-14.8%

Note: Indices are shown for the twelve-month period ending June 30.

(1)CPI (All Items), (2)Lehman Brothers Aggregate Bond Index,

(3)Standard & Poors' 500 Index

13. Participant Census and Payroll

Membership

Membership data is provided in the following table. Participants are categorized in one of three categories: active member, retired, or as a current member of the Deferred Retirement Option Plan (DROP).

Participant Census * (Payroll in \$millions)

State Systems

System	Actives	Retirees	DROP current	Total	% of All Systems	FY 2002 Payroll
LASERS	64,692	33,132	2,635	100,459	29.8%	\$1,861.9
TRSL	87,356	49,553	5,103	142,012	42.1%	\$2,777.7
STPOL	961	1,091	43	2,095	0.6%	\$31.7
LSERS	14,638	9,765	796	25,199	7.5%	\$258.9
<i>Subtotal</i>	167,647	93,541	8,577	269,765	80.0%	\$4,930.1

Statewide Systems

System	Actives	Retirees	DROP current	Total	% of All Systems	FY 2002 Payroll
ASSR	642	437	55	1,134	0.3%	\$26.4
CCRS	2,210	769	62	3,041	0.9%	\$64.1
DARS	666	171	10	847	0.3%	\$35.0
FRS	3,322	1,308	145	4,775	1.4%	\$114.4
MERSA	5,264	2,509	217	7,990	2.4%	\$130.2
MERSB	2,013	765	53	2,831	0.8%	\$43.6
MPERS	5,924	3,438	272	9,634	2.9%	\$187.6
PERSA	13,259	4,830	311	18,400	5.5%	\$372.8
PERSB	2,090	468	32	2,590	0.8%	\$52.9
RVRS	215	125	8	348	0.1%	\$6.9
SPRF	13,112	2,458	155	15,725	4.7%	\$360.3
<i>Subtotal</i>	48,717	17,278	1,320	67,315	20.0%	\$1,394.0

All Systems Combined

All Systems	Actives	Retirees	DROP current	Total	% of All Systems	FY 2002 Payroll
<i>Total</i>	216,364	110,819	9,897	337,080	100.0%	\$6,324.2

* Values based on 6/30 FYE & 2002 Valuation, except Assessors' (9/30 & 2002) and Parochial (12/31 & 2002).

14. Funding of TRSL Optional Retirement Plan

In 1990, an optional retirement plan (ORP) was established for academic and unclassified employees of public institutions of higher education. This is a defined contribution plan that is administered by TRSL. The ORP participants are not members of TRSL and their benefits are not guaranteed by the state. Each employer contributes to TRSL the same amount it would have contributed if the ORP participant had been a member. The employer normal cost portion is credited to the participants account (ORP normal cost) while the remainder is retained by TRSL as a payment on the UAL. For fiscal year 2002 the total ORP normal cost payment credited towards participants' accounts was \$62.1 million while the ORP employer payment retained by TRSL to fund the UAL was \$27.2 million. ORP is directly funded by the state from general fund appropriations only on the portion of salary not paid by fees or other self-generated funds received by the institutions of higher learning. As of December 31, 2002, there were 9,016 participants in ORP.

GROWTH OF ORP MEMBERSHIP (As Compared to TRSL)

Year	ORP	TRSL	Ratio (ORP to TRSL)
1992	3,775	86,244	4.4%
1993	4,196	85,143	4.9%
1994	4,780	86,079	5.6%
1995	5,290	84,671	6.2%
1996	5,712	84,849	6.7%
1997	6,195	85,169	7.3%
1998	6,690	85,772	7.8%
1999	7,181	85,419	8.4%
2000	7,581	85,462	8.9%
2001	8,126	84,694	9.6%
2002	9,016	84,866	10.6%

***BENEFIT
FORMULAS,
RETIREMENT
ELIGIBILITY,
AND
CONTRIBUTION
RATES***

1. Benefit Accruals and Member Contribution Rates

Formula

The retirement benefit for all thirteen systems is generally based on the following formula:

$$\text{Annual Benefit at Retirement} = \text{Benefit Accrual Rate} \times \text{Years of Service at Retirement} \times \text{Final Average Salary at Retirement}$$

The benefit is limited to an amount not greater than final average compensation.

Benefit Accrual Rates, Retirement Eligibility & Member Contribution Rates (% of Pay) (as of July 1, 2002)

LASERS

	Benefit Accrual	Retirement Eligibility		Member Contribution
		Service	Age	
Regular	2.50%	10	60	7.50%
	2.50%	25	55	7.50%
	2.50%	30	any age	7.50%
Legislators	3.50%	12	55	11.50%
	3.50%	16	any age	11.50%
	3.50%	20	50	11.50%
Wildlife Agents	25.0% FAS	10	55	8.50%
Based on a percent of Final Average Salary (FAS)	37.5% FAS	15	55	8.50%
	55.0% FAS	20	any age	8.50%
	72.5% FAS	25	any age	8.50%
Corrections Officers & DPS				
<i>Employed Prior to 8/15/1986</i>	2.50%	20	any age	9.00%
<i>Employed after 8/15/1986</i>	2.50%	20	50	9.00%
<i>All Members</i>	2.50%	25	any age	9.00%
Public Safety Service secondary plan effective 12/31/2001 provides:				
	3 1/3%	25	any age	9.00%
Judges & Court Officers	3.50%	18	any age	11.50%
	3.50%	20*	50	11.50%
	3.50%	12	55	11.50%
	3.50%	any	70	11.50%
Early retirement – 20 years of service with actuarially reduced benefits.				
* At least 12 years as a Judge				

**Benefit Accrual Rates, Retirement Eligibility
& Member Contribution Rates (% of Pay)**
(as of July 1, 2002)

TRSL

Regular Teachers	Benefit Accrual	Retirement Eligibility		Member Contribution
		Service	Age	
<i>Employed Prior to 7/1/1999</i>	2.00%	5	60	8.00%
<i>Employed on/after 7/1/1999</i>	2.50%	5	60	8.00%
<i>Employed Prior to 7/1/1999</i>	2.00%	20	any age	8.00%
<i>Employed on/after 7/1/1999</i>	2.50%*	20	any age	8.00%
<i>All Teachers</i>	2.50%	20	65	8.00%
<i>All Teachers</i>	2.50%	25	55	8.00%
<i>All Teachers</i>	2.50%	30	any age	8.00%
Lunch Plan A	3.00%	5	60	9.10%
	3.00%	25	55	9.10%
	3.00%	30	any age	9.10%
Lunch Plan B	2.00%	5	60	5.00%
	2.00%	30	55	5.00%
* Teacher's early retirement - actuarially reduced.				

STPOL

	Benefit Accrual	Retirement Eligibility		Member Contribution
		Service	Age	
All Employees	3 1/3%	10	50	8.00%
<i>Employed Prior to September 8, 1978</i>	3 1/3%	20	any age	8.00%
<i>Employed on or after September 8, 1978</i>	3 1/3%	25	any age	8.00%

LSERS

All Employees	Benefit Accrual	Retirement Eligibility		Member * Contribution
		Service	Age	
<i>For Retirement On or After July 1, 2001</i>	3 1/3%	10	60	7.5%
	3 1/3%	25	55	7.5%
	3 1/3%	30	any age	7.5%
Early retirement – 20 years of service with actuarially reduced benefits				
* Increases if system loses full funding status under Act 897 of RS2001				

**Benefit Accrual Rates, Retirement Eligibility
& Member Contribution Rates (% of Pay)
(as of July 1, 2002)**

ASSRS

	Benefit Accrual	Eligibility		Member Contribution
		Service	Age	
All Employees	3 1/3%	12	55	8.00%
	3 1/3%	30	any age	8.00%

CCRS

	Benefit Accrual	Eligibility		Member Contribution
		Service	Age	
All Employees				
Service Prior to 7/1/1999	3.00%	12	55	8.25%
Service on/after 7/1/1999	3 1/3%	12	55	8.25%

DARS

	Benefit Accrual	Eligibility		Member Contribution
		Service	Age	
All Employees	3.50%	10	60	7.00%
	3.50%	24	55	7.00%
	3.50%	30	any age	7.00%
Members employed Prior to 7/1/1990 could elect to remain under the prior provisions (3% formula).				
Early retirement – eligibility based on years of service and attained age; with a 3% benefit reduction for each year prior to certain age/service requirements.				

FRS

	Benefit Accrual	Eligibility		Member Contribution
		Service	Age	
All Employees	3 1/3%	12	55	8.00%
	3 1/3%	20	50	8.00%
	3 1/3%	25	any age	8.00%

MERS

	Benefit Accrual	Eligibility		Member Contribution
		Service	Age	
Plan A ⁽¹⁾	3.00%	10	60	9.25%
	3.00%	25	any age	9.25%
Plan B ⁽²⁾	2.00%	10	60	5.00%
	2.00%	30	any age	5.00%
Elected officials receive additional 0.5% accrual for each year elected service				
1) Plan A members: (a) Pre 10/1978 supplemented plan member only = 1% plus \$2 for each month of service prior to 10/1978. (b) Actuarially reduced early retirement with 20 years of service.				
2) Plan B members are also covered by Social Security.				

**Benefit Accrual Rates, Retirement Eligibility
& Member Contribution Rates (% of Pay)**
(as of July 1, 2002)

MPERS

	Benefit Accrual	Eligibility		Member Contribution
		Service	Age	
All Employees	3 1/3%	12	55	7.50%
	3 1/3%	20	50	7.50%
	3 1/3%	25	any age	7.50%
Early retirement – 20 years of service with actuarially reduced benefits				

PERS

	Benefit Accrual	Eligibility		Member Contribution
		Service	Age	
Plan A ⁽¹⁾	3.00%	7	65	9.50%
	3.00%	10	60	9.50%
	3.00%	25	55	9.50%
	3.00%	30	any age	9.50%
Plan B	2.00%	7	65	3.00%
	2.00%	10	60	3.00%
	2.00%	30	55	3.00%
1) For members of the supplemental plan only the accrual rate is 1% plus \$2 for each month of service prior to the revision date.				

RVRS

	Benefit Accrual	Eligibility		Member Contribution
		Service	Age	
All Employees	3 1/3%	10	60	7.00%
	3 1/3%	20	55	7.00%
	3 1/3%	30	any age	7.00%

SPRF

	Benefit Accrual	Eligibility		Member Contribution
		Service	Age	
All Employees	3 1/3%	12	55	9.80%
	3 1/3%	30	any age	9.80%
* Actuarially reduced early retirement with 20 years of service at age 50.				

2. Benefit Levels and Member Cost

Standard of Living

The following table illustrates two aspects of the retirement benefit. The first portion of the table shows the member's retirement benefit as a percentage of final pre-retirement compensation. The retirement benefit is calculated using the three highest consecutive earning years that the member has over his entire salary history. Showing the benefit as a percentage of salary gives the employer an indication of the plan's desired benefit adequacy level. It also shows the income replacement ratio which the benefits are expected to provide to the member upon retirement, as they replace pre-retirement salary.

Employee Funding

The second part shows what portion of the retirement benefit cost is funded by employee contributions. The member's contributions are accumulated with interest at the valuation interest rate over the designated time period. The accumulated value is then divided by the actuarial present value of the retirement benefit. This is the percent of the benefit cost that is funded by the member's own required contributions.

Hazardous Duty

The membership was divided into two distinctive groups based on the nature of work performed. Benefit plans for employees engaged in hazardous duty have traditionally provided benefits at higher levels than those plans for employees engaged in more normal types of employment.

Hazardous duty personnel are typically members employed in law enforcement and public safety. The group shown on the following page is composed of state police, firefighters, sheriffs and deputies, municipal police, wildlife enforcement agents, and prison guards.

Benefit/Cost Illustrations

Retirement benefit provisions, employee contribution rates, and actuarial assumptions applied in this section are those in effect for fiscal year 2002.

Non-Hazardous Group - New Member

		Replacement Ratio			Percent Self-Funded			
		Years of Service at Retirement						
		Division	Age	20	30	40	20	30
<i>LASERS</i>	Regular	65	48%	72%	96%	46%	59%	76%
	Legislators	65	67%	96%	96%	59%	72%	100%
	Judges	65	67%	96%	96%	58%	71%	98%

<i>TRSL</i>							
Teachers	65	47%	71%	94%	46%	53%	60%
Lunch A	65	56%	84%	96%	43%	44%	54%
Lunch B	65	38%	57%	76%	35%	40%	44%

<i>LSERS</i>							
Regular	65	64%	87%	97%	38%	53%	73%

<i>ASSR</i>							
Regular	65	63%	94%	94%	30%	33%	40%

<i>CCRS</i>							
Regular	65	63%	94%	94%	35%	38%	46%

<i>DARS</i>							
Regular	65	66%	94%	94%	28%	29%	33%

<i>MERS</i>							
Plan A	65	57%	85%	94%	49%	54%	63%
Plan B	65	38%	57%	76%	40%	44%	49%

<i>PERS</i>							
Plan A	65	57%	85%	94%	46%	51%	60%
Plan B	65	38%	57%	76%	15%	16%	18%

<i>RVRS</i>							
Regular	65	62%	94%	94%	26%	28%	30%

Hazardous Group - New Member

		Replacement Ratio		Percent Self-Funded			
		Years of Service at Retirement					
		Division	Age	20	25	20	25
<i>LASERS</i>	Wildlife	55	53%	70%		42%	46%
	Corrections	55	48%	60%		48%	55%
	Public Safety	55	64%	80%		36%	41%

<i>STPOL</i>					
Regular	55	64%	80%	33%	36%

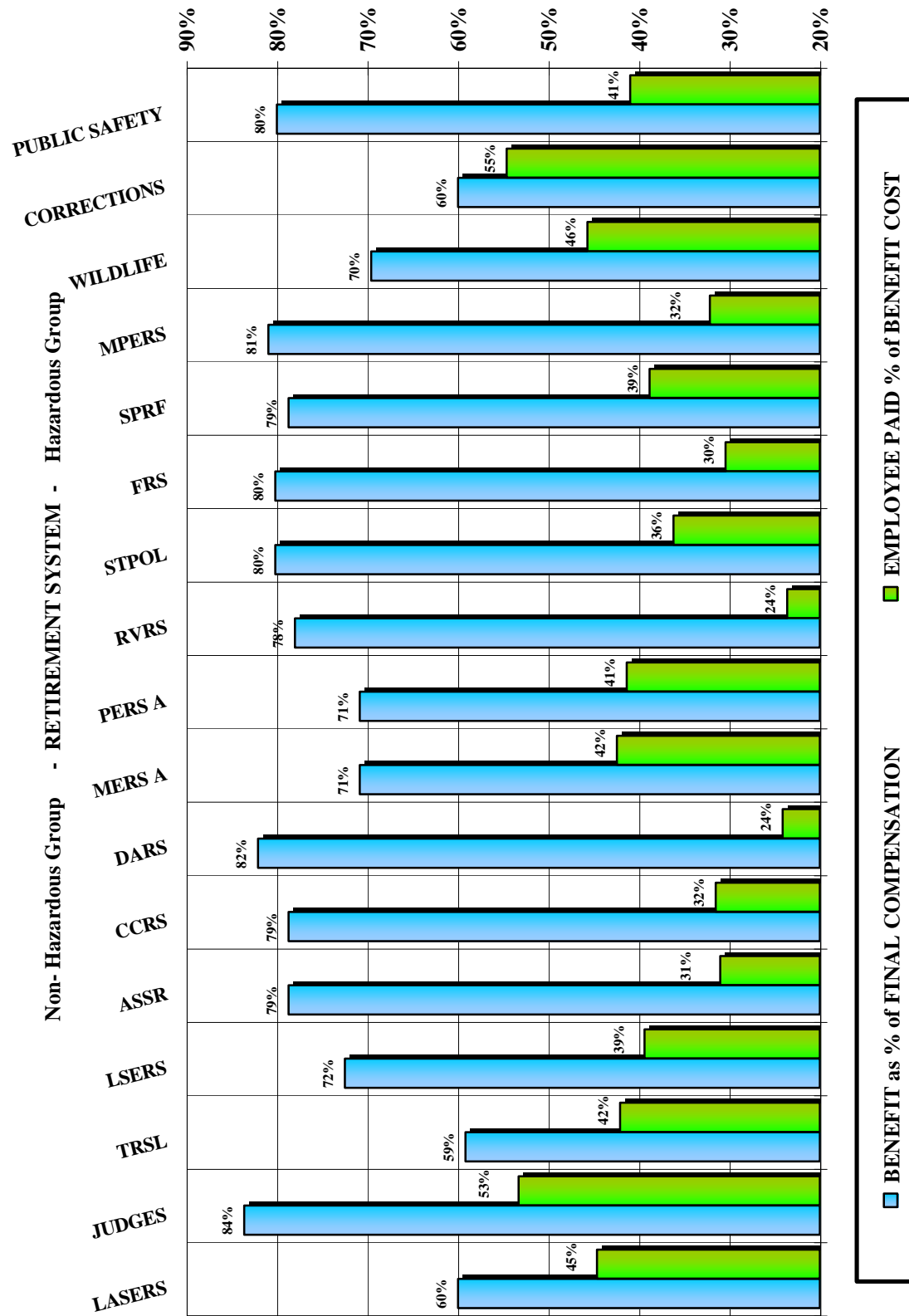
<i>FRS</i>					
Regular	55	64%	80%	28%	30%

<i>MPERS</i>					
Regular	55	65%	81%	31%	34%

<i>SPRF</i>					
Regular	55	63%	79%	44%	46%

**STATE & STATEWIDE RETIREMENT SYSTEMS
RETIREMENT BENEFIT TO EARNINGS REPLACEMENT RATIOS
and EMPLOYEE PAID PORTION of BENEFIT COST**

ASSUMED RETIREMENT AGE 55 & 25 YEARS OF SERVICE



3. Projected Contribution Rates

Public Sources

As discussed in the employer funding section of this report, the State of Louisiana is primarily responsible for funding the four state retirement systems through general fund appropriations, agency self-generated funds, IPTF (Insurance Premium Tax Fund allowances), or as transfer payments to local school districts. Funding sources for the nine statewide retirement systems include local appropriations, ad valorem taxes, general revenue sharing funds, and insurance premium tax funds. Other incidental funding sources are available to the various participating employers that may vary at any given time. The larger systems, LASERS and TRSL, combine participating member plans to apply a single aggregated projected employer rate.

Member Rates

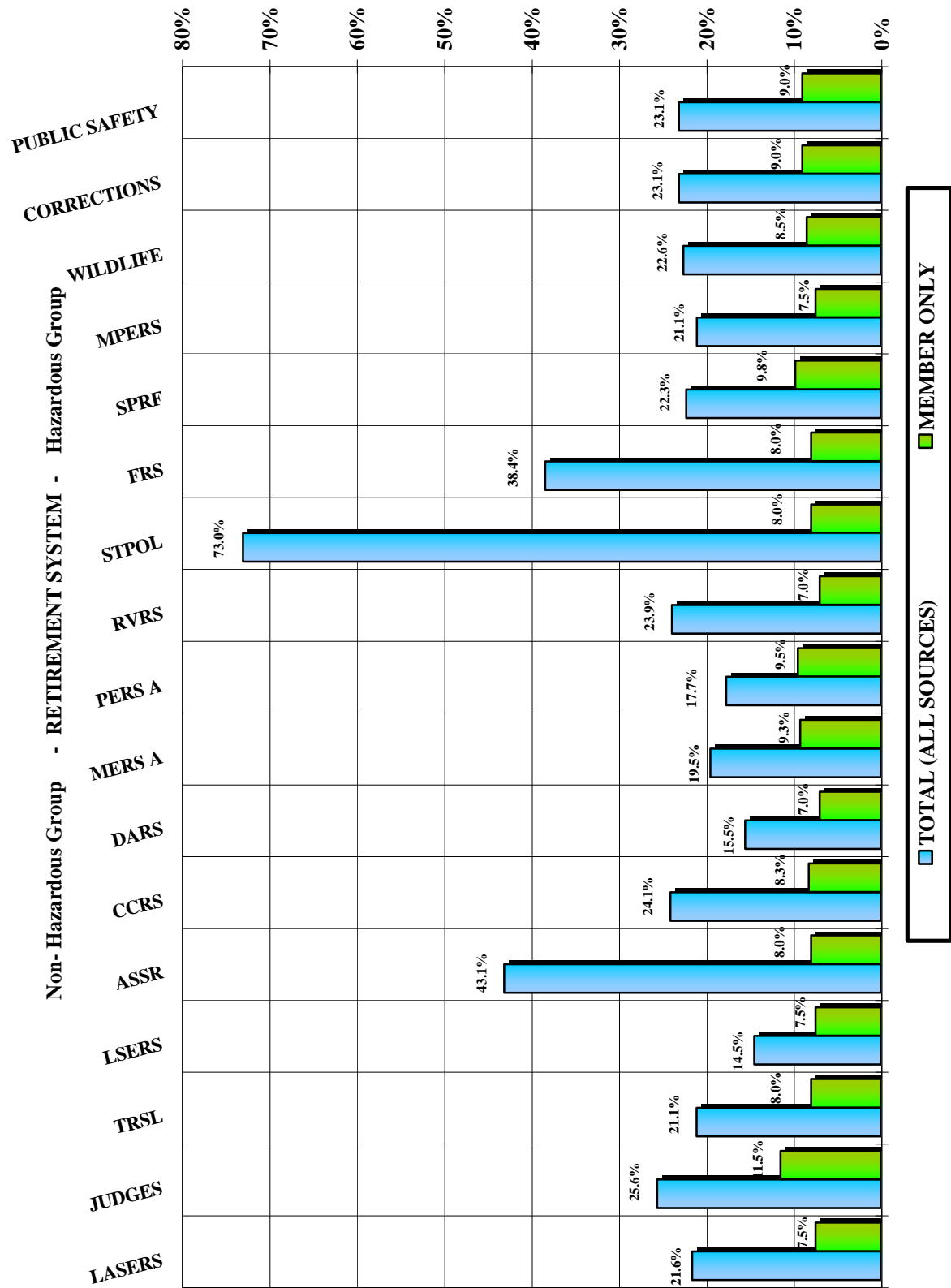
Employee contribution rates are fixed by statute and are detailed in the first part of this section. Required member contributions vary by plan and, with some exceptions, range from 7% to 11.5% of employee payroll.

Total Projected Rates

The combination of these various public sources for employer funding, along with member contributions, are required to fund each system's future expected retirement plan obligations. Total projected rates reflect the combined contribution requirement for the plan's fiscal year as a percentage of their member payroll. For Fiscal Year 2003 plan rates varied from 14.5% up to 73% of their member payroll.

The following illustration graphs total projected (all sources) and member only contribution rates for those plans not participating in the Social Security System. These are based on valuation results as adopted by PRSAC (Public Retirement Systems' Actuarial Committee) and approved for Fiscal Year 2003.

STATE & STATEWIDE RETIREMENT SYSTEMS
PROJECTED CONTRIBUTION RATES
 (As a Percent of Payroll)
FISCAL YEAR 2003



***ACTUARIAL
CONCERNS***

***FUNDING
ISSUES***

1. Funding of UAL for State Systems

Concern

Paying off the current \$7.7 billion retirement debt (Valuation UAL) for LASERS, TRSL, LSERS, and STPOL requires increasing payments in the upcoming years.

Amortization Payments

Amortization schedules adopted in 1992 for TRSL and LASERS provide lower payments in the earlier years with higher payments to be made in later years. Under these schedules, the payments increase at 4.5% per year. **Payments are not sufficient to cover the interest charge on the UAL until fiscal year 2013.** As the required payments increase they will eventually become large enough to cover both the interest charge and principal portion on the UAL. The law requires full amortization of the initial unfunded accrued liability balance by the year 2029.

FUTURE AMORTIZATION MID-YEAR PAYMENT RUNOUT of June 30, 2002 UAL BALANCES

(At 4.5% Increase Factor)

LASERS

Fiscal Year	Years Out	Future Amortization Payment
2003	1	\$173,506,678
2009	7	\$217,589,081
2016	14	\$296,108,674
2023	21	\$402,962,993
2029	27	\$524,762,637

TRSL

Fiscal Year	Years Out	Future Amortization Payment
2003	1	\$248,832,735
2009	7	\$351,625,909
2016	14	\$478,514,278
2023	21	\$651,191,817
2029	27	\$848,021,136

The funding surplus at LSERS was erased during fiscal year 2002. This system had been fully funded since 1989, with no initial unfunded accrued liability. Benefit increases, COLAs, and actuarial investment losses during the year have created an unfunded liability. These and subsequent changes in liability are amortized similar to those for the other state systems.

LSERS

Fiscal Year	Years Out	Future Amortization Payment
2003	1	\$8,171,794
2009	7	\$10,651,288
2016	14	\$14,494,931
2023	21	\$19,725,599
2029	27	\$25,687,860

Payments for State Police are expected to drop substantially after the initial unfunded accrued liability is paid off by fiscal year 2009. This initial liability is being amortized with level payments. Subsequent changes in liabilities due to actuarial gains and losses, benefit changes, and COLAs are amortized similar to those for the other state systems.

STPOL

Fiscal Year	Years Out	Future Amortization Payment
2003	1	\$17,311,122
2009	7	\$22,853,702
2016	14	\$6,509,288
2023	21	\$8,858,242
2029	27	\$11,535,735

Paying off the current \$7.7 billion retirement debt (Valuation UAL) collectively for LASERS, TRSL, LSERS, and STPOL by fiscal year 2029, requires increasing payments that are expected to grow from \$448 million up to \$1.4 billion over the 27 year period.

Combined UAL State Systems

Fiscal Year	Years Out	Future Amortization Payment
2003	1	\$447,822,329
2009	7	\$602,719,979
2016	14	\$795,627,172
2023	21	\$1,082,738,650
2029	27	\$1,410,007,369

Texaco Funds

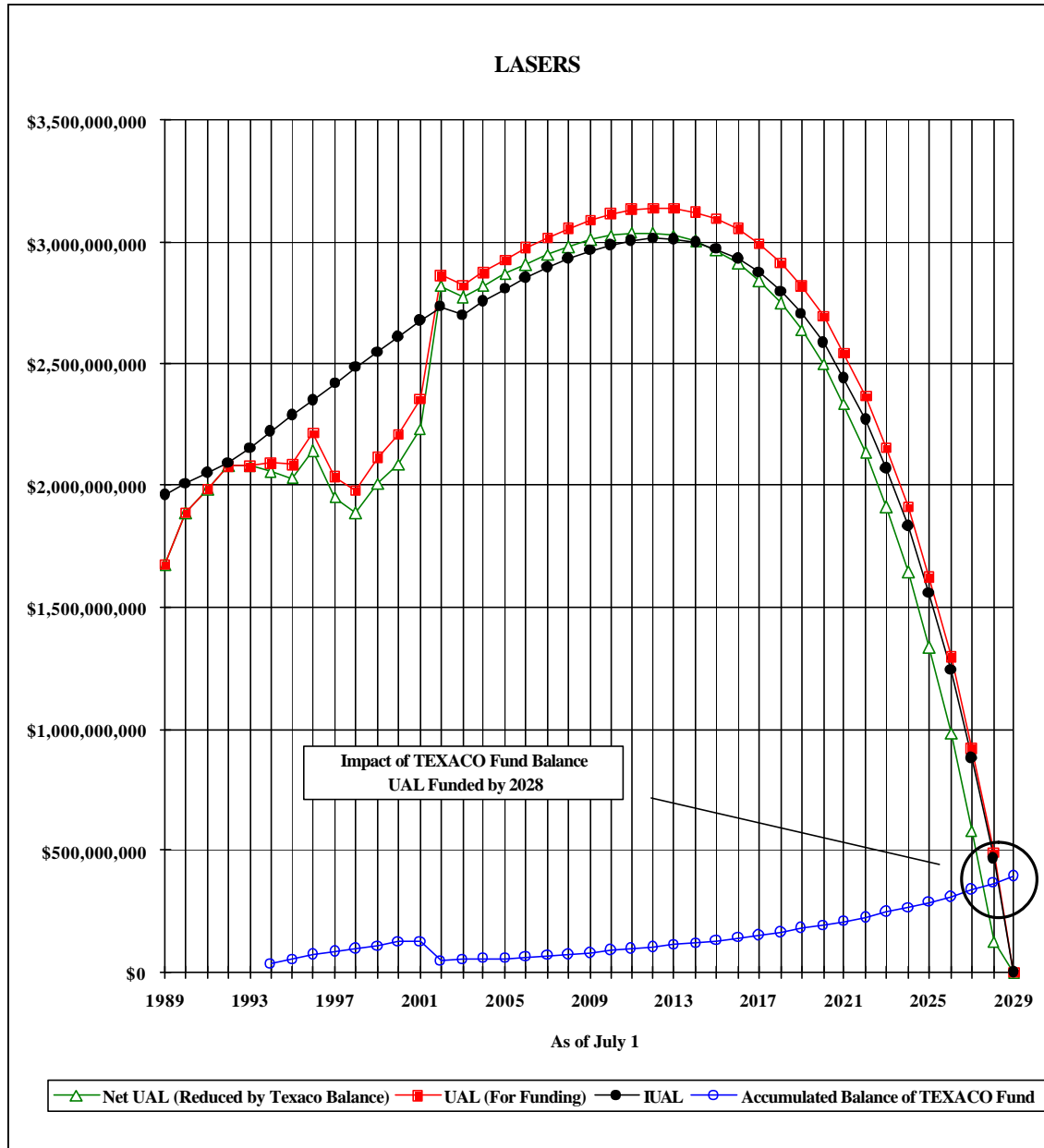
A strength to our funded status are the Texaco Funds, established and protected by the constitution to be held in the trust for ultimate elimination of the IUAL balances. If these funds are diverted for other funding purposes it would further damage our future funded status. The following graphs show the beneficial impact of these funds on our expected UAL funding projections.

As mentioned earlier in this report, the supplemental portion of the IUAL representing the LSU unfunded obligation will be offset by the Texaco Funds on June 30, 2003. This will release \$185.5 million (\$89.2 million for LASERS and \$96.3 million for TRSL) of our unfunded liability and save the state \$11.1 million dollars for FY 2004. The savings will increase by 4.5% a year until completed by FY 2029.

UAL Run-out

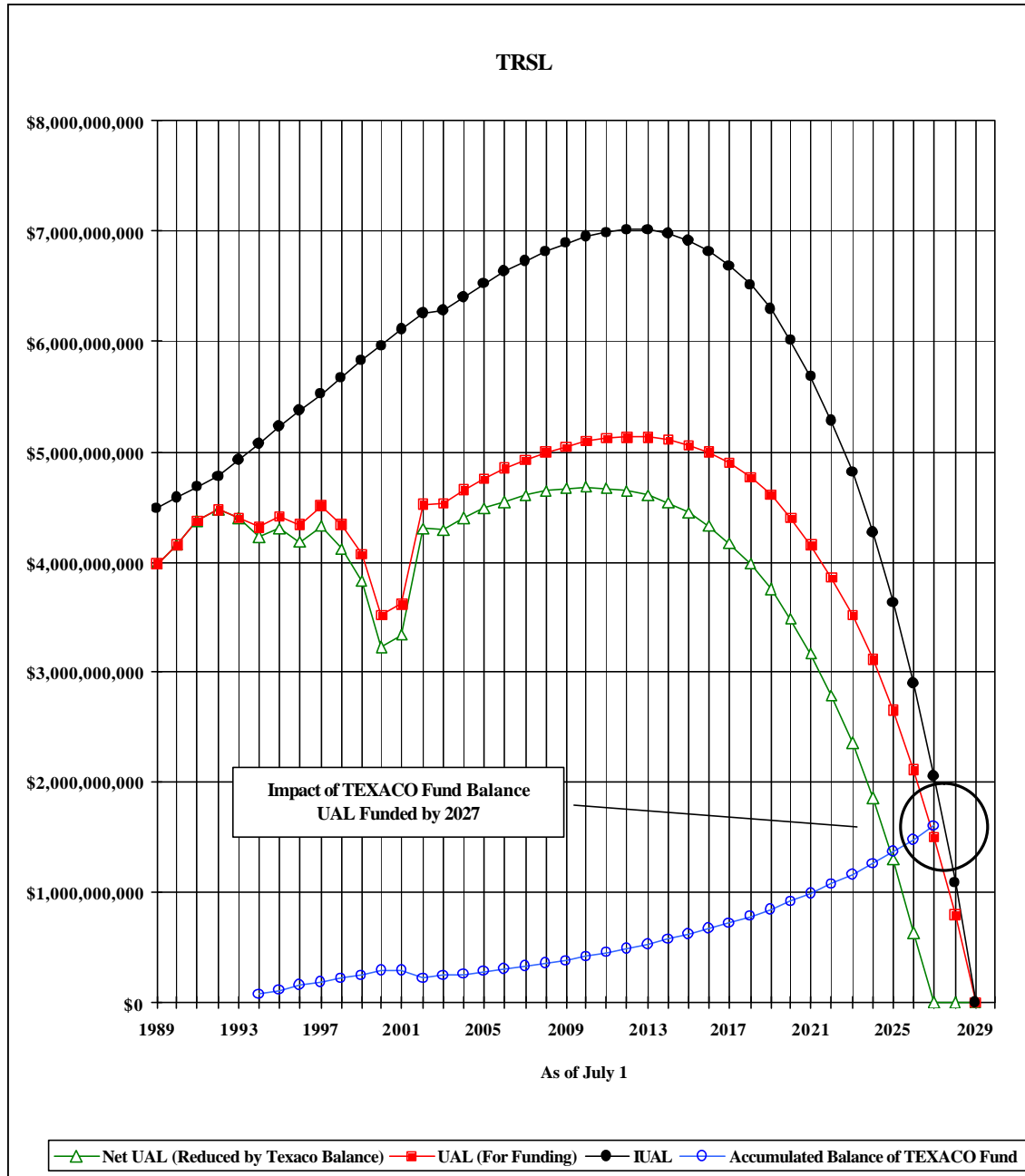
The funding progress of our state retirement systems are demonstrated by the following graphs as of June 30, 2002 balances. The black curve illustrates the amortization of the Initial Unfunded Accrued Liability (IUAL) established by statute in 1988. The red curve is the Valuation UAL for funding, which nets all other amortization bases since 1988, including actuarial gain and losses, against the IUAL balance. The green curve is the Net UAL for LASERS and TRSL and Net IUAL for STPOL that have been adjusted by the value of Texaco Funds. The UAL run-out values after 2002 are based on current amortization schedules. The blue curve shows the accumulating balance of the Texaco Account.

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM
MEASURE OF FUNDING PROGRESS
UNFUNDED ACCRUED LIABILITY BALANCE
IMPACT OF TEXACO PAYMENT ON UAL
Values as of June 30, 2002



Note: prior to FY 1993 amortization payments are based on Act 81 (RS 1988) schedule; subsequent payments are based on Act 257 (RS 1992) schedule.

TEACHERS RETIREMENT SYSTEM OF LOUISIANA
MEASURE OF FUNDING PROGRESS
UNFUNDED ACCRUED LIABILITY BALANCE
IMPACT OF TEXACO PAYMENT ON UAL
Values as of June 30, 2002



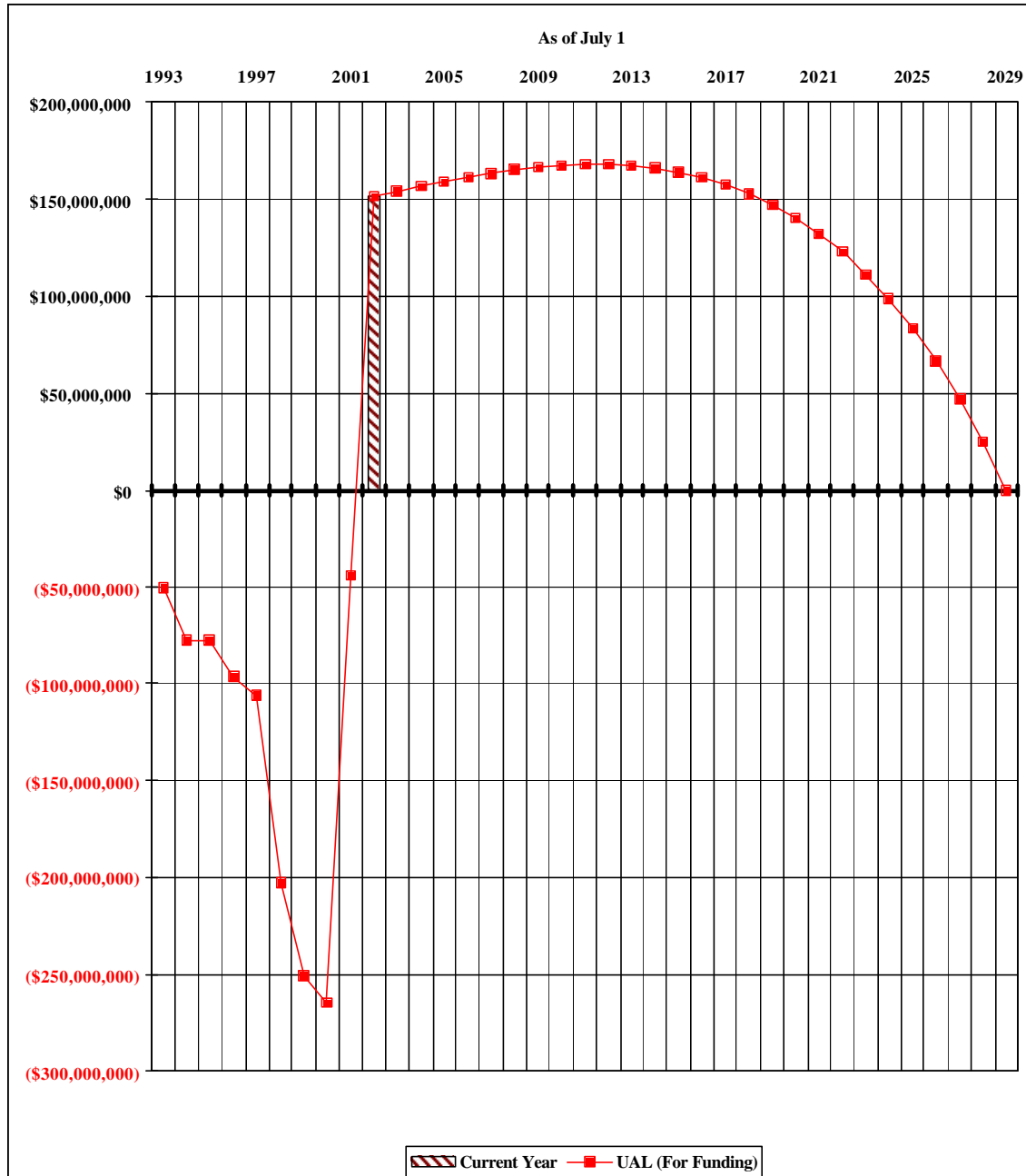
Note: prior to FY 1993 amortization payments are based on Act 81 (RS 1988) schedule; subsequent payments are based on Act 257 (RS 1992) schedule.

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MEASURE OF FUNDING PROGRESS

UNFUNDED ACCRUED LIABILITY BALANCE

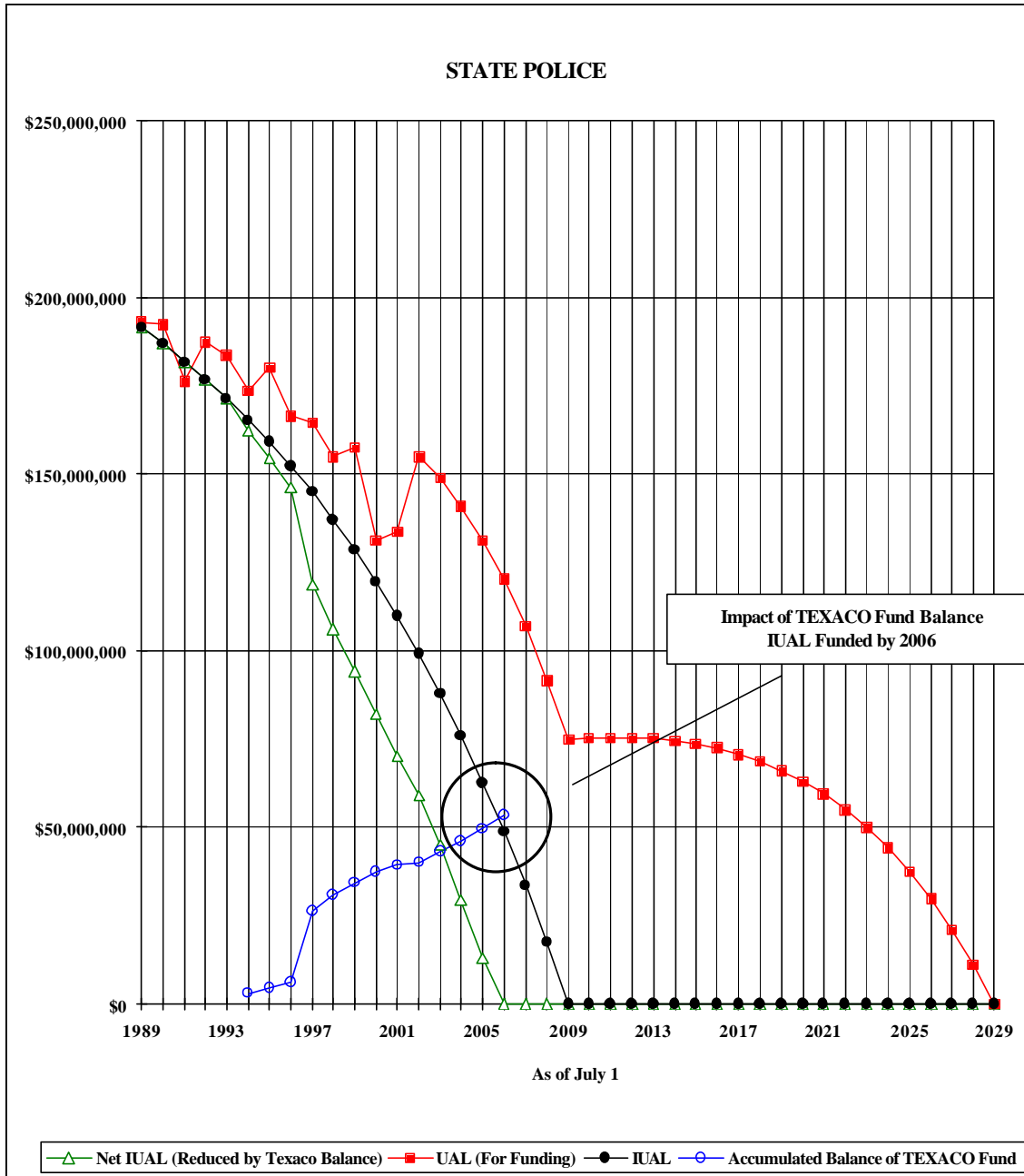
Current Amortization (Payments increasing 4.5% per year)

Values as of June 30, 2002



Note: prior to FY 1993 amortization payments are based on Act 81 (RS 1988) schedule; subsequent payments are based on Act 257 (RS 1992) schedule.

STATE POLICE PENSION & RETIREMENT SYSTEM
MEASURE OF FUNDING PROGRESS
UNFUNDED ACCRUED LIABILITY BALANCE
IMPACT OF TEXACO PAYMENT ON IUAL
Values as of June 30, 2002



Note: prior to FY 1993 amortization payments are based on Act 81 (RS 1988) schedule; subsequent payments are based on Act 257 (RS 1992) schedule.

2. Future Investment Experience

Concern

Double-digit investment growth has disappeared and trust investments are poised for returns which will move the average towards traditional expectations underlying our long term actuarial assumed rate.

Funded Ratios

Our economy was strong during the nineties and we were fortunate that our investments provided very favorable returns, as is expected in a bull market phase of a market cycle. Hopefully, we will be able to retain a portion of this actuarial investment gain because of the underlying technological revolution.

Unfortunately, we cannot expect to avoid actuarial investment losses if our funding return rate is appropriate (8.25% for LASERS and TRSL). Since most of the improvement in funded ratios, assets to liabilities, during this period resulted from actuarial investment gains, it is reasonable to expect a retraction with future actuarial losses.

If the actuarial assumptions are realized, as should be expected, investment actuarial gains and losses (returns under or over the assumed 8.25% rate) should zero out, leaving outstanding balances of the original IUAL plus any additional liability charges. This includes charges for benefit enhancements including COLAs, early retirement allowances, death benefits, DROP Account benefits, and so forth.

Unfunded liabilities are amortized under an increasing payment schedule. Current payments under these schedules are not yet high enough to cover even the required interest charges, so the initial balances of each schedule have not been reduced. Therefore, as future actuarial investment losses offset the past gains, funded ratios will shrink back to their original values and lower. It is actuarially unsound to assume otherwise.

Annual Rates of Return *
(Market Value Basis)

State Systems:

System	FY 2002	FY 2001	FY 2000	5 Yr MV Cmpd Avg Annual Return	Expected Long Term Actuarial Return
LASERS	-5.63%	-6.25%	11.14%	3.62%	8.25%
TRSL	-8.08%	-4.73%	13.58%	5.07%	8.25%
STPOL	-2.82%	-0.56%	4.59%	4.42%	7.50%
LSERS	-3.44%	-1.85%	7.96%	5.46%	7.50%

Statewide Systems:

System	FY 2002	FY 2001	FY 2000	5 Yr MV Cmpd Avg Annual Return	Expected Long Term Actuarial Return
ASSR	-4.9%	-10.1%	7.7%	1.1%	8.0%
CCRS	-3.0%	-1.5%	4.2%	6.1%	8.0%
DARS	-9.1%	-9.7%	17.1%	4.2%	8.0%
FRS	-3.7%	-2.9%	3.5%	2.9%	7.0%
MERSA	-1.8%	-4.2%	9.1%	5.3%	8.0%
MERSB	-2.8%	-4.2%	8.4%	4.8%	8.0%
MPERS	-5.3%	-3.4%	3.7%	3.5%	7.0%
PERSA	-2.7%	-0.8%	7.2%	4.1%	8.0%
PERSB	0.0%	2.7%	5.4%	4.9%	8.0%
RVRS	-3.0%	5.9%	0.8%	4.1%	8.0%
SPRF	-3.0%	-0.8%	5.2%	4.1%	8.0%

* Values based on 6/30 FYE & 2002 Valuation, except Assessors' (9/30 & 2002) and Parochial (12/31 & 2002).

3. Impact of Investments and Benefit Increases on Funded Ratios

Issue

The market's retrenchment since FY 2001 and the liability for benefit increases have had a considerable impact on overall funding of the retirement systems.

Funded ratios improved considerably since actuarial funding was mandated under the constitution in 1989. Favorable investment performance accelerated this improvement until fiscal year 2001. With recent investment losses, however, funding levels have dropped considerably with the added burden of benefit enhancement liabilities. The reversal pattern is seen in the funded ratios below (comparing Actuarial Value of Assets (AVA) to Actuarial Value of Projected Accrued Benefits (PBO)).

FUNDED RATIOS (Fiscal Year)

AVA / PBO

2002 2001 2000 1999 1998

State Retirement Systems:

State Employees'	67.2%	76.3%	80.9%	78.3%	76.6%
Teachers'	72.0%	82.7%	88.8%	80.1%	74.7%
State Police	73.5%	77.1%	72.0%	66.8%	60.3%
School Employees'	90.7%	114.5%	133.7%	134.4%	126.5%
State Total	71.5%	82.2%	88.1%	82.0%	77.7%

Statewide Retirement Systems:

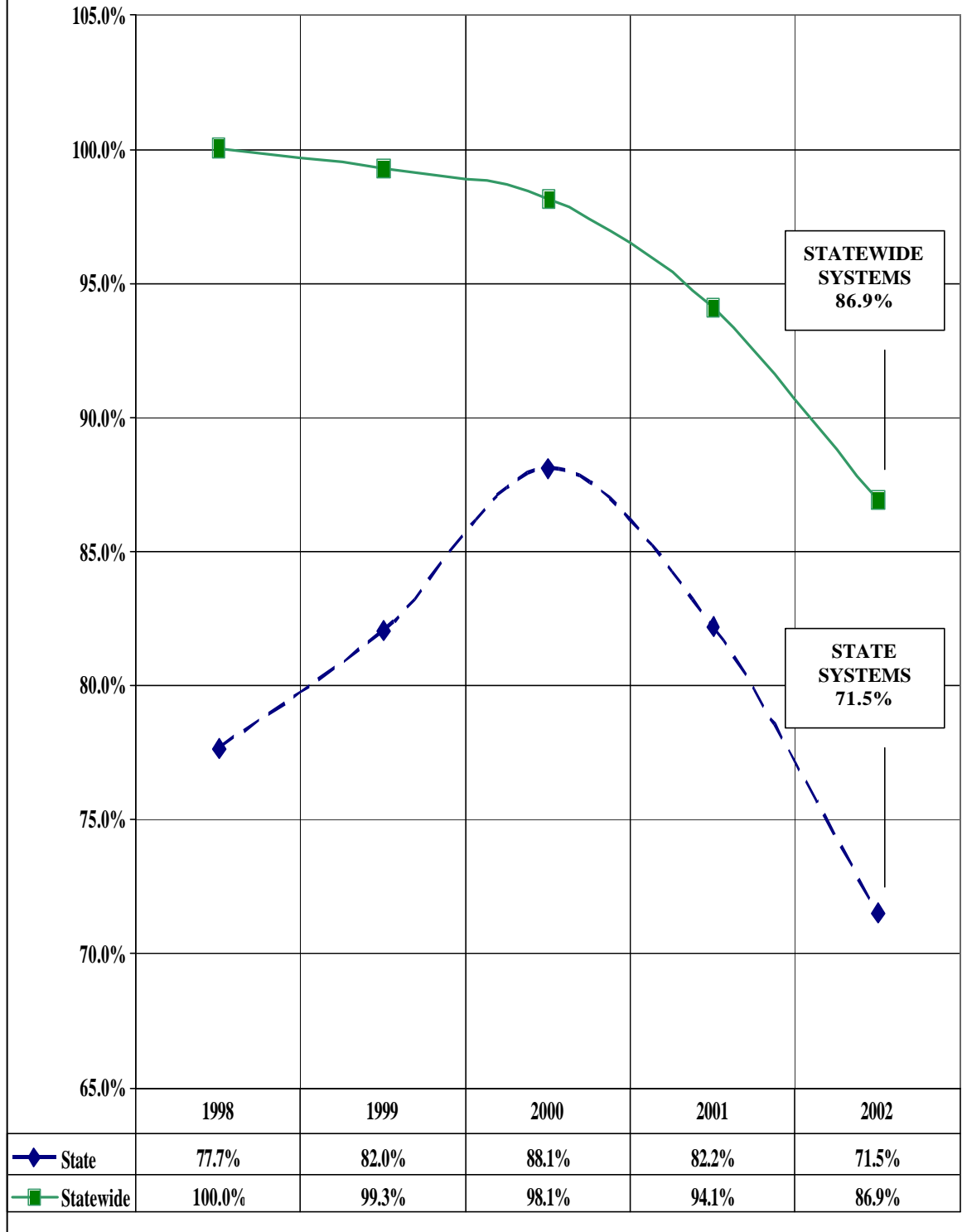
Assessors'	61.3%	66.4%	73.6%	74.9%	75.7%
Clerks' of Court	72.5%	76.6%	78.3%	74.7%	70.1%
District Attorneys'	117.7%	128.5%	131.9%	129.7%	128.8%
Firefighters'	74.9%	82.3%	86.0%	92.8%	94.3%
Municipal Employees': Plan A	85.5%	91.0%	92.4%	92.9%	94.3%
Municipal Employees': Plan B	87.4%	92.3%	101.9%	100.6%	96.3%
Municipal Police	95.6%	105.6%	109.4%	110.6%	112.5%
Parochial Employees': Plan A	90.9%	99.1%	102.0%	101.5%	100.1%
Parochial Employees': Plan B	108.4%	117.8%	130.3%	128.9%	129.4%
Registrars of Voters	97.7%	104.2%	104.8%	112.9%	117.7%
Sheriffs'	84.2%	87.8%	93.8%	94.4%	98.1%
Statewide Total	86.9%	94.1%	98.1%	99.3%	100.0%

Total For All Systems:

74.2% 84.3% 89.8% 84.9% 81.2%

Funded Ratio - PBO Covered by AVA

Actuarial Value of Assets / Projected Accrued Benefit Liability



4. Impact of Investments and Benefit Increases on Contributions

Issue

Investment losses and benefit increases will have a considerable impact on the retirement systems' funding requirements.

Much of the funding impact due to favorable investment returns realized until fiscal year 2001 has been offset by the cost of benefit improvements. Since the market drop in fiscal year 2001, contribution requirements have increased for most systems and continue to be affected by lower returns. The following exhibits illustrate the impact on contribution requirements using total projected rates. These rates reflect the combined contributions from all sources for each plan's fiscal year as a percentage of member payroll.

TOTAL PROJECTED RATES AS % OF MEMBER PAYROLL

(Fiscal
Year)

2003 2002 2001 2000

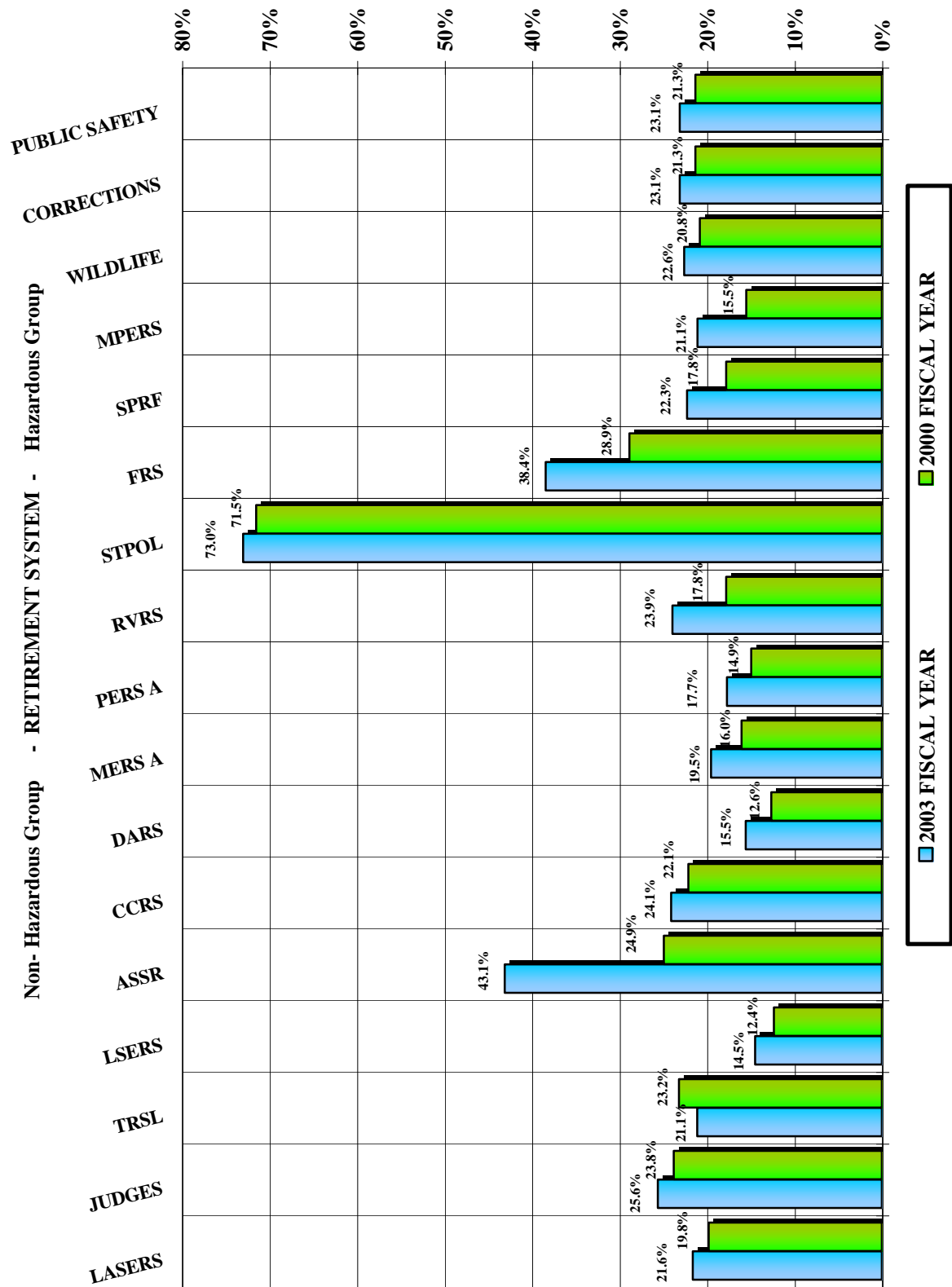
State Retirement Systems:

State Employees'	21.6%	20.5%	20.5%	19.8%
Teachers'	21.1%	21.1%	22.2%	23.2%
State Police	73.0%	64.4%	63.8%	71.5%
School Employees'	14.5%	13.5%	12.4%	12.4%

Statewide Retirement Systems:

Assessors'	43.1%	31.8%	26.7%	24.9%
Clerks' of Court	24.1%	22.2%	22.2%	22.1%
District Attorneys'	15.5%	11.7%	11.3%	12.6%
Firefighters'	38.4%	30.3%	35.6%	28.9%
Municipal Employees': Plan A	19.5%	18.4%	17.5%	16.0%
Municipal Employees': Plan B	13.5%	10.9%	10.3%	11.5%
Municipal Police	21.1%	19.5%	16.5%	15.5%
Parochial Employees': Plan A	17.7%	15.9%	15.9%	14.9%
Parochial Employees': Plan B	7.7%	5.6%	5.6%	4.9%
Registrars of Voters	23.9%	22.7%	23.7%	17.8%
Sheriffs'	22.3%	21.8%	19.0%	17.8%

STATE & STATEWIDE RETIREMENT SYSTEMS
CHANGE IN PROJECTED TOTAL CONTRIBUTION RATES
 (Member and Public Sources as a Percent of Payroll)
 FY 2003 versus FY 2000



5. Recent Legislation Enacted to Reduce Contribution Requirements for Municipal Police Employees' Retirement System (MPERS) and Firefighters' Retirement System (FRS).

Issue

Investment losses and benefit increases have had a considerable impact on the funding requirements for the Firefighters' and Municipal Police retirement systems. New legislation during the Regular Session of 2003 will soften the impact for Fiscal Year 2004.

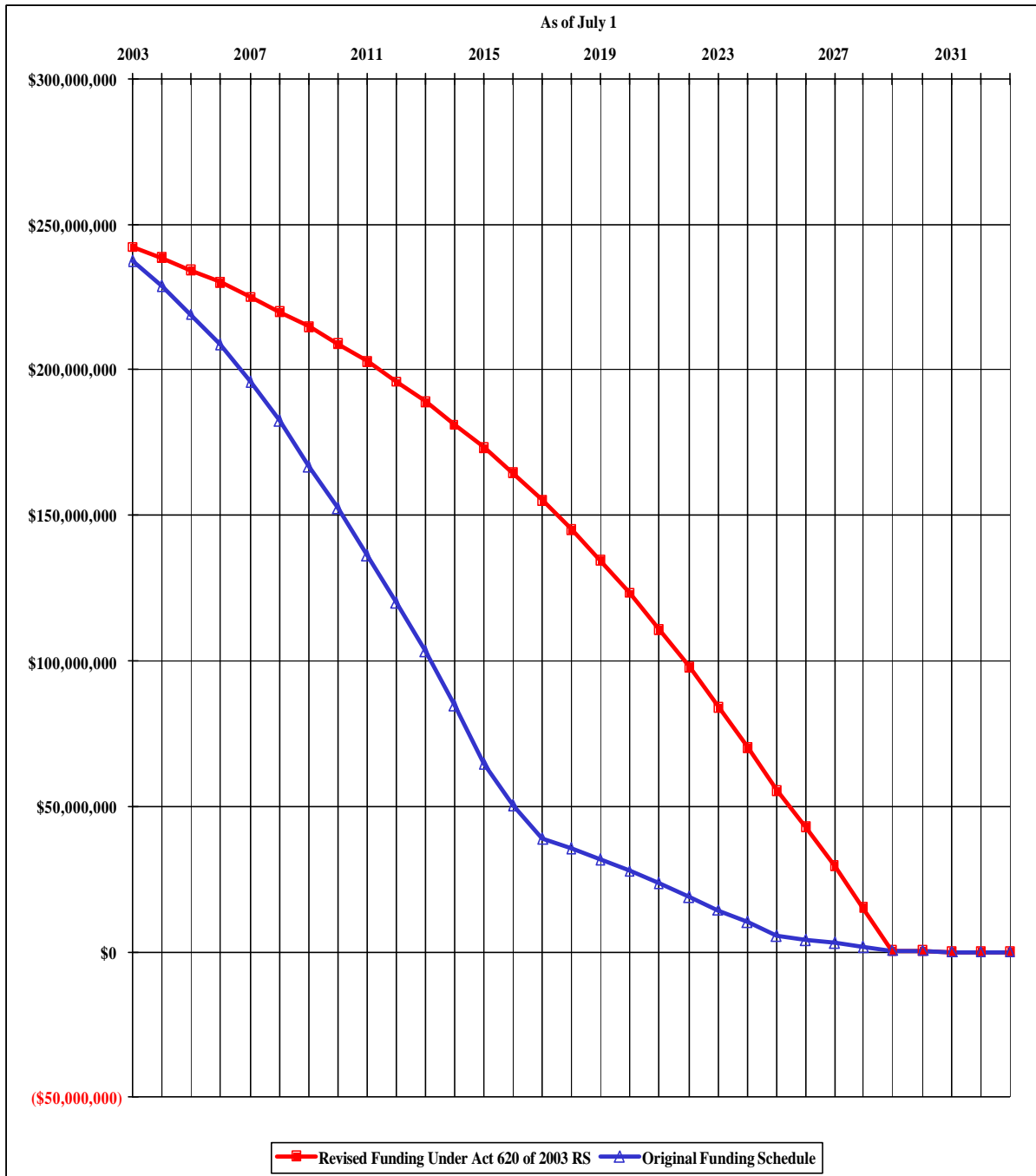
Since the market drop in fiscal year 2001, contribution requirements have increased for most systems. The impact on Firefighters' and Municipal Police has been more pronounced since accelerated contribution requirements have exceeded amounts available from the Insurance Premium Tax Fund (IPTF). Requirements in excess of the IPTF supplement and targeted rates have been impacting as the progression of liability added for benefits and mergers are uncovered by investment losses. These plans' are expected to continue to be affected by actuarial investment losses, at least into the next several years. Enacted legislation is intended to soften some of the increase by reamortizing actuarial losses over an extended payment period.

For MPERS, the amortization period for actuarial experience and changes is increased from fifteen years to thirty years, at level dollar payments, commencing with fiscal year 2002. This reduces the FY 2004 contribution rate from 18.25% to 15.25%, \$5.9 million lower based on projected payroll.

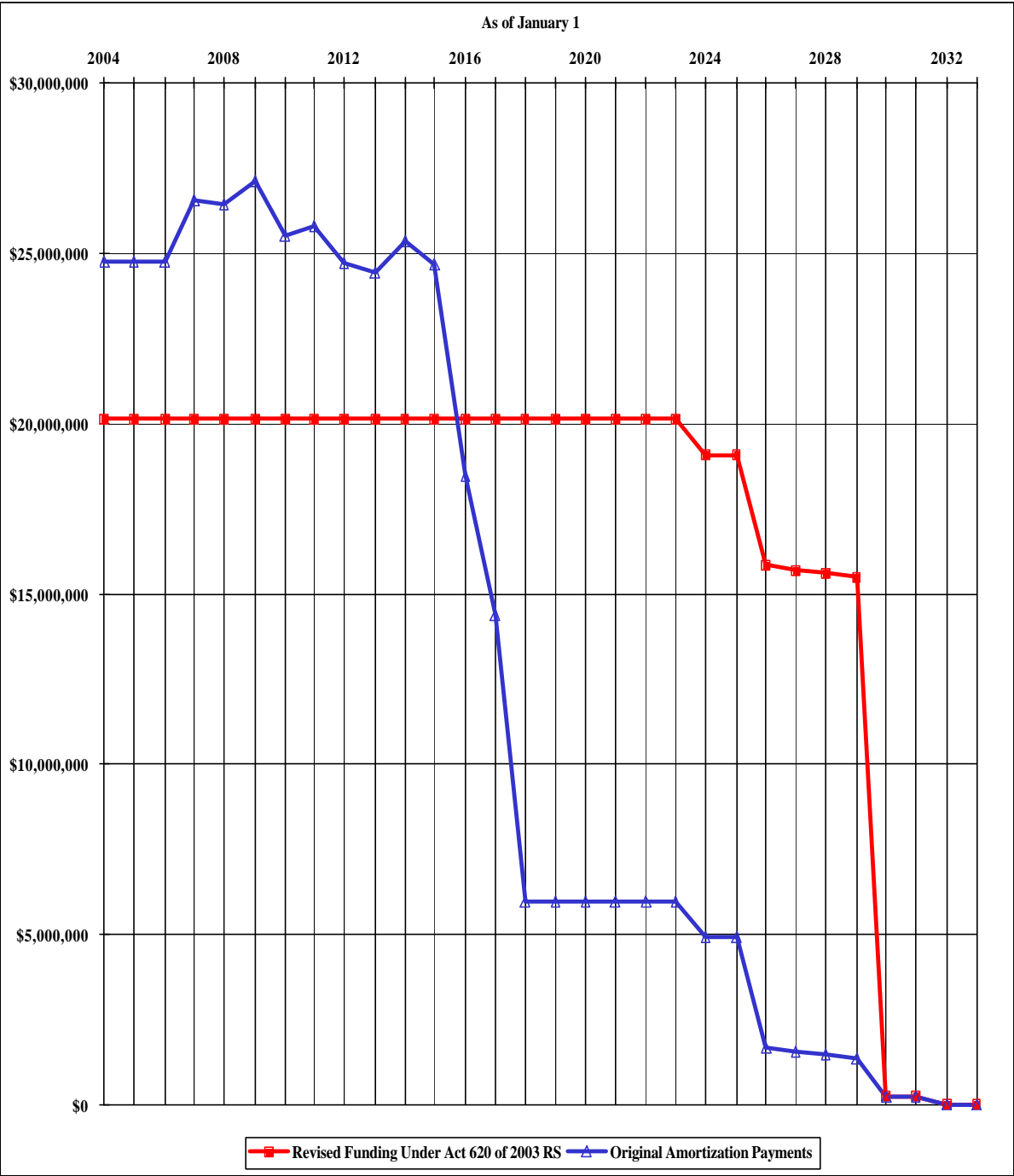
For FRS, all outstanding bases as of June 30, 2002, excluding merger bases, will be combined and reamortized over the period ending in fiscal year 2029, at level dollar payments. This reduces the FY 2004 contribution rate from 25.25% to 21.0%, \$5.1 million based on FY 2003 projected payroll.

The following illustrations show the impact on UAL and amortization payments as of FY 2003.

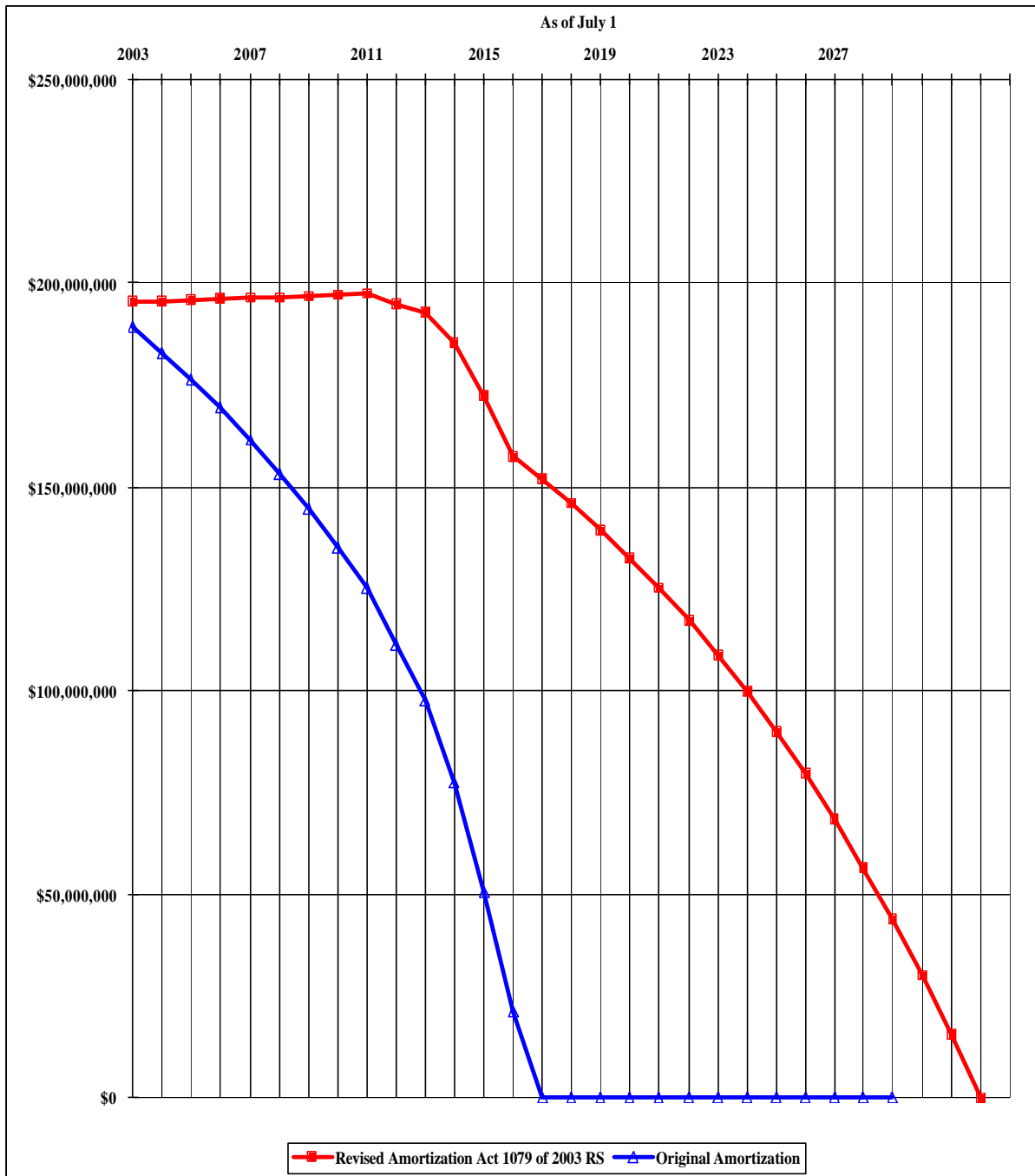
FIREFIGHTERS' RETIREMENT SYSTEM
UNFUNDED ACCRUED LIABILITY (UAL) BALANCE COMPARISON
ACT 620 REGULAR SESSION, 2003
APPLICABLE FOR FISCAL YEAR 2004 EMPLOYER CONTRIBUTION



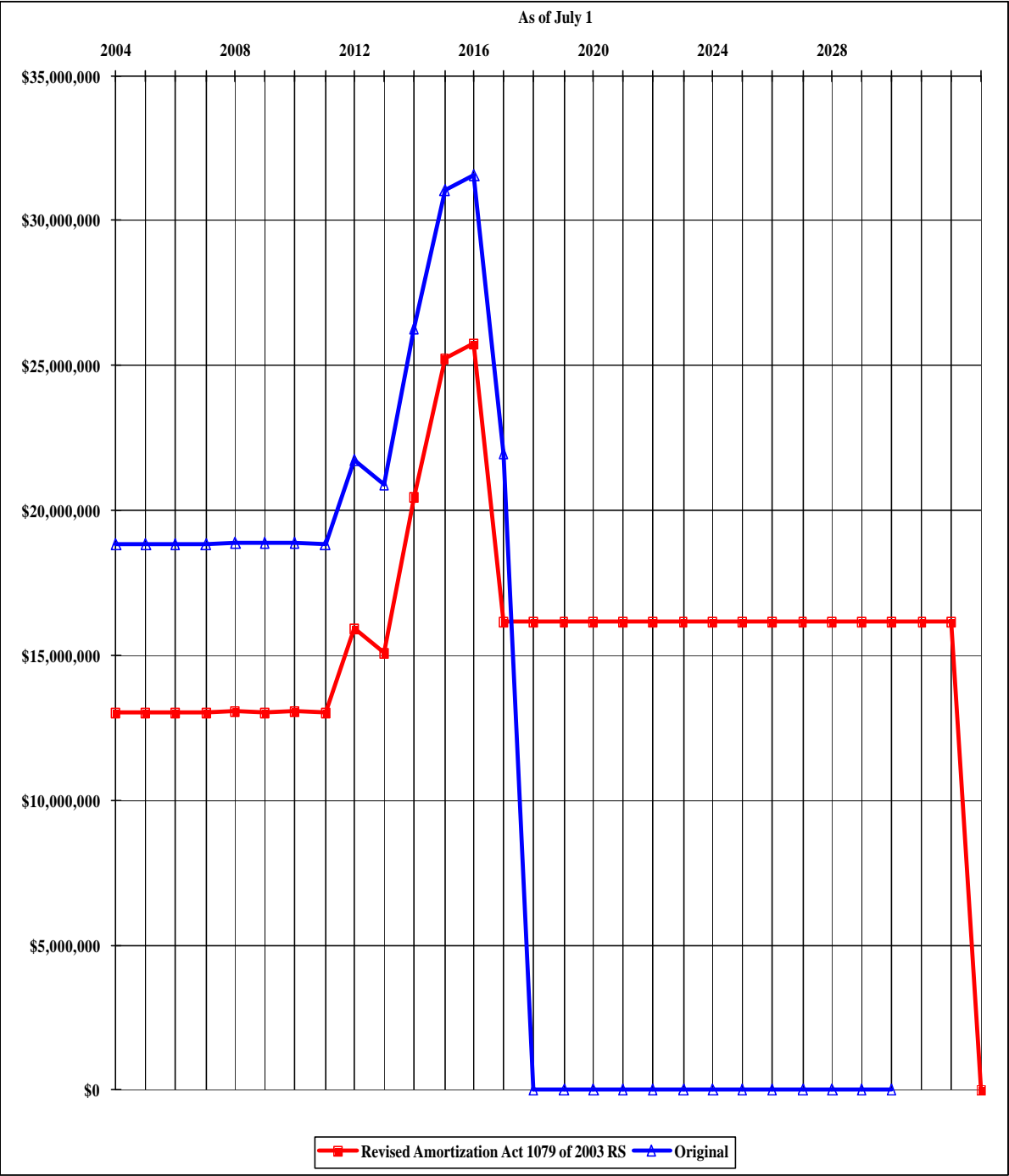
FIREFIGHTERS' RETIREMENT SYSTEM
UNFUNDED ACCRUED LIABILITY (UAL) PAYMENT COMPARISON
ACT 620 REGULAR SESSION, 2003
APPLICABLE FOR FISCAL YEAR 2004 EMPLOYER CONTRIBUTION



**MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
UNFUNDED ACCRUED LIABILITY (UAL) BALANCE COMPARISON
ACT 1079 REGULAR SESSION, 2003
APPLICABLE FOR FISCAL YEAR 2004 EMPLOYER CONTRIBUTION**



MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
UNFUNDED ACCRUED LIABILITY (UAL) PAYMENT COMPARISON
ACT 1079 REGULAR SESSION, 2003
APPLICABLE FOR FISCAL YEAR 2004 EMPLOYER CONTRIBUTION



6. Cash Flow Concerns

Concern

Excluding investment income, the annual additions of the state systems do not meet their annual deductions. This could force the sale of investments into an unfavorable market or dictate investment strategies to support cash flow requirements.

The larger state systems had committed significant allocations into equities (including alternative investments, private placements, REITS, and venture capital) and away from fixed income investments. These investments tend to be less liquid in bear markets, require additional cash commitments, and may pay minimal interest and dividend income.

Should the systems experience net investment losses for a sustained period it is probable they will be forced to liquidate certain investments at a loss to cover the plan benefit payments and expenses. Dividend and interest income alone does not adequately cover the net negative cash flow in some of the state systems.

The following exhibit shows the additions (contributions) and deductions (benefits/expenses) for each state system as of June 30, 2002.

NET EXTERNAL CASH FLOW

Excluding Net Investment Income & Expense

STATE SYSTEMS As of June 30, 2002 (\$millions)

System	Amounts Added (a)	Amounts Deducted (b)	Net External Cash Flow (a) - (b)
LASERS	\$422.1	\$546.7	(\$124.6)
TRSL	\$675.6	\$953.4	(\$277.8)
STPOL	\$28.3	\$22.8	\$5.5
LSERS	\$34.7	\$109.0	(\$74.3)
Combined	\$1,160.7	\$1,631.9	(\$471.2)

As shown below, the relationship of annual benefits/ expenses to contributions has widened since last year. The trust's reliance on dividend and interest income to meet its obligations has increased. Otherwise the system must divest a portion of their securities investments for this purpose.

CHANGE IN NET EXTERNAL CASH FLOW

Excluding Net Investment Income & Expense

STATE SYSTEMS FY 2002 to FY 2001 (\$millions)

System	FY 2002 (a)	FY 2001 (b)	CHANGE (a) - (b)
LASERS	(\$124.60)	(\$100.70)	(\$23.90)
TRSL	(\$277.80)	(\$237.70)	(\$40.10)
STPOL	\$5.50	\$5.50	\$0.00
LSERS	(\$74.30)	(\$70.70)	(\$3.60)
Combined	(\$471.20)	(\$403.70)	(\$67.50)

7. Demographic Experience - TRSL

Concern

For TRSL the ratio of male to female members has steadily declined since 1979. As females become a greater portion of total membership, the cost implications to TRSL can be substantial because of the mortality differential.

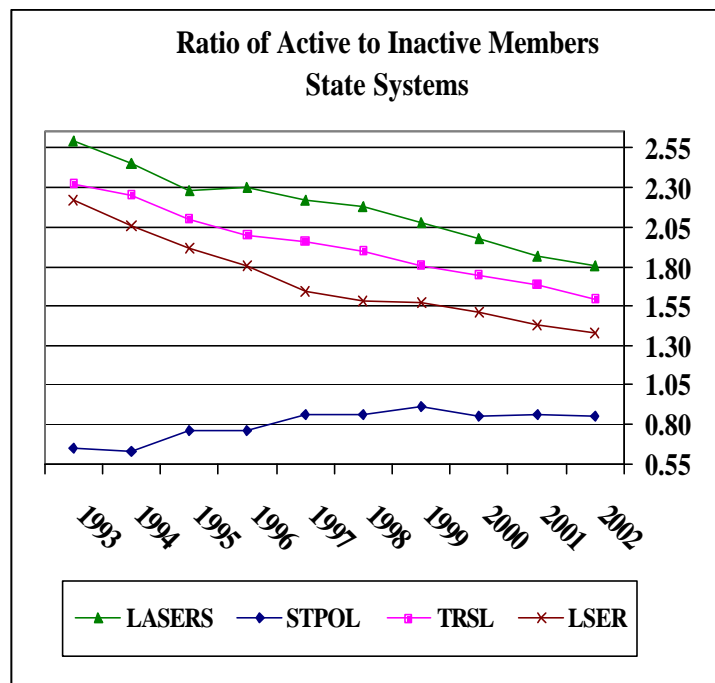
In 1979, males represented about 28.9% of the total active group. By 1993, that ratio had decreased to 19.7%. The ratio continues a decreasing pattern and in 2002 is now 17.1%. Based on current actuarial assumptions for funding, female annuity purchase rates are 3% higher than male rates at age 40, and 12.3% higher at age 65. Since a greater proportion of females will also enter their retirement years, the cost impact continues and is even greater, for example, at age 80 where the annuity purchase rate is 19.5% higher for females.

Use of sex distinct mortality rates assist in the actuarial funding of an emerging female liability trend. We may expect future increases in TRSL's annual cost because of this trend.

8. Active versus Inactive Trends

Concern

There is a decreasing trend in the number of active to inactive members for state and statewide retirement systems. Trend-line projections indicate that the ratios could be approaching 1.0 for some systems by the end of the decade. This trend has a direct impact on cash flow and employer funding requirements as benefit payouts accelerate.



TRSL

In 1993 the ratio of active to inactive members for TRSL stood at 2.32. By 2002 the ratio drops to 1.60.

LASERS

The ratio of active to inactive membership has also decreased for LASERS, 2.59 in 1993 to 1.81 in 2002.

LSERS

LSERS pattern is more striking, 2.22 in 1993 to 1.39 in 2002.

STPOL

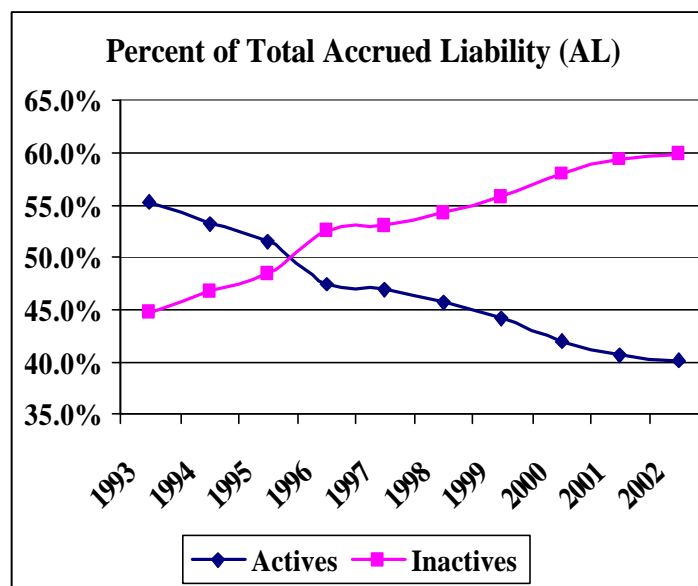
The ratio for State Police has been below 1.0 since 1989. As of 2002, there are 961 active members and 1,134 inactive members, a ratio of 0.85.

Accrued Liability Trends

As expected the increasing trend in the number of **inactives relative to actives causes a similar pattern with accrued liability**. The following table illustrates the impact on emerging liabilities for the state plans combined. Since 1993, the inactive liability has increased from 44.8% to 59.9% of the total accrued liability.

Combined State System Liability Funding Trends

Percent of Total Accrued Liability		
Fiscal Year:	Actives	Inactives
1993	55.2%	44.8%
1994	53.2%	46.8%
1995	51.6%	48.4%
1996	47.4%	52.6%
1997	47.0%	53.0%
1998	45.7%	54.3%
1999	44.3%	55.7%
2000	42.0%	58.0%
2001	40.6%	59.4%
2002	40.1%	59.9%

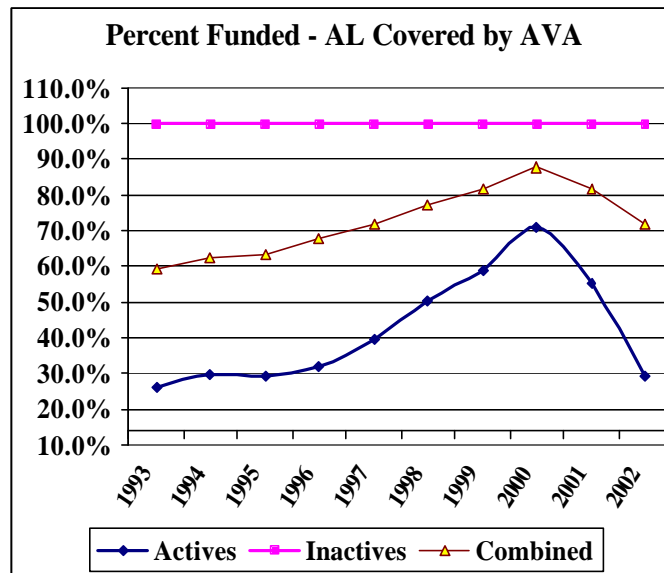


Percent Funded

The following set of columns demonstrates the development of funding for active and inactive accrued liabilities. Assets are first allocated to cover 100% of the inactive liabilities. The remainder is then compared to active liabilities. Since 1993, the funded percent for active liabilities had increased from 25.7% to 71.0% in FY 2000. It has since decreased to 29.1% to FY 2002, a significant drop in two years.

Combined State System Liability Funding Trends

Percent Funded			
Fiscal Year:	Actives	Inactives	Combined
1993	25.7%	100.0%	59.0%
1994	29.5%	100.0%	62.5%
1995	29.1%	100.0%	63.4%
1996	31.8%	100.0%	67.7%
1997	39.6%	100.0%	71.6%
1998	50.5%	100.0%	77.4%
1999	58.7%	100.0%	81.7%
2000	71.0%	100.0%	87.8%
2001	55.1%	100.0%	81.8%
2002	29.1%	100.0%	71.6%



Statewide Systems

The statewide retirement systems show varying degrees of change in the ratio of active to inactive members over the 10-year period 1993 to 2002.

Ratio of Active To Retired Population			
Fiscal Year:	1993	2002	Trend
ASSR	1.63	1.30	down
CCRS	3.23	2.66	down
DARS	4.24	3.68	down
FRS	2.18	2.29	-
MERSA	2.78	1.93	down
MERSB	2.82	2.46	down
MPERS	1.34	1.60	up
PERSA	3.12	2.58	down
PERSB	4.15	4.18	-
RVRS	1.81	1.62	down
SPRF	4.76	5.02	up
Total Statewide	2.78	2.62	down

9. Impact of COLA Increases on Retiree Benefits

Concern

The average benefit since retirement of a retiree from the four state retirement systems has increased 1.5% per year. Comparable to this period, the CPI (Consumer Price Index) has increased an average of 2.9% per year. The 1.4% difference has narrowed sharply compared to the 2.6% spread in our 6/30/96 study with values of 1.1% and 3.7%, respectively.

COLA Policy

At the request of the legislature, the Legislative Actuary has continued to study the impact of inflation on retiree benefit levels. Unfortunately, the state has had to focus on improving the funding position for future benefits that are promised by law. This has left any provisions for retiree COLA increases to erratic solutions and special interest legislation. Existing methods have not given desired results and leave retirees unsure of the state's policy toward COLAs. Also of concern is the impact that these ad hoc methods will ultimately have on overall funding. Since providing our Experience Account analysis to the Legislature in 1996, we have continued to focus on two issues:

1. The current method of detouring fund assets through the Experience Account for COLA benefit increases impacts the actuarial soundness of the funding methods and interest assumptions.
2. The study of retiree benefits and COLAs relate to employer/state benefit objectives and budgeting concerns. The adequacy and level of our retirees' benefits should be determined by the state, since the state, and related employers, are ultimately responsible for payment of all promised benefits.

Act 402 of the 1999 Regular Session establishes a COLA formula for TRSL and LASERS. The COLA provides an annual CPI increase for benefits up to 2%. This was extended to 3% under Acts 1016 and 1172 of the 2001 Regular Session if the system at least earns the actuarial assumed interest rate of 8.25%. The law also limited COLAs to the first \$70,000 of benefit. Any COLAs are dependent on the amount of

positive balance of the Experience Account (EA). As of FY 2002 there were negative EA balances for both systems equal to a combined value of minus \$577.2 million. This negative balance is expected to increase substantially due to actuarial losses (earnings below the 8.25% assumed rate) that are credited to the EA. This removes the possibility of additional retiree benefit COLAs for some time.

For comparison, the following exhibits display the average annual rate of increase (COLA) in actual benefits for those who retired from the state systems 5, 10, 15, 20, 25, 30 and 35 years ago against CPI inflation increases over the same periods, as of June 30, 2002.

**AVERAGE ANNUAL BENEFIT INCREASE
FOR RETIREES SINCE RETIREMENT**

**Average Annual Rate of Increase vs. CPI
From Retirement Date to 6/30/2002**

***STATE SYSTEMS
COMBINED***

Years Retired	Average Annual Rate of Increase	CPI *Comparison
0	0.0%	0.0%
5	1.8%	2.3%
10	1.4%	2.5%
15	1.2%	3.1%
20	1.6%	3.1%
25	2.3%	4.4%
30	2.1%	5.0%
35	2.1%	4.9%
Weighted Average	1.5%	2.9%

*Consumer Price Index (CPI) - All Urban Consumers: All Items; Not seasonally adjusted; U.S. City average

**AVERAGE ANNUAL BENEFIT INCREASE
FOR RETIREES SINCE RETIREMENT**

**Average Annual Rate of Increase vs. CPI
From Retirement Date to 6/30/2002**

LASERS

Years Retired	Average Annual Rate of Increase	CPI *Comparison
0	0.0%	0.0%
5	1.6%	2.3%
10	1.1%	2.5%
15	1.2%	3.1%
20	1.5%	3.1%
25	2.4%	4.4%
30	2.4%	5.0%
35	2.7%	4.9%
Weighted Average	1.4%	2.9%

TRSL

Years Retired	Average Annual Rate of Increase	CPI *Comparison
0	0.0%	0.0%
5	1.7%	2.3%
10	1.2%	2.5%
15	1.1%	3.1%
20	1.5%	3.1%
25	2.2%	4.4%
30	2.1%	5.0%
35	2.0%	4.9%
Weighted Average	1.4%	2.9%

*Consumer Price Index (CPI) - All Urban Consumers: All Items; Not seasonally adjusted; U.S. City average

**AVERAGE ANNUAL BENEFIT INCREASE
FOR RETIREES SINCE RETIREMENT**

**Average Annual Rate of Increase vs. CPI
From Retirement Date to 6/30/2002**

LSERS

Years Retired	Average Annual Rate of Increase	CPI *Comparison
0	0.0%	0.0%
5	4.1%	2.3%
10	3.9%	2.5%
15	3.9%	3.1%
20	3.8%	3.1%
25	4.4%	4.4%
30	4.3%	5.0%
35	n/s	4.9%
Weighted Average	3.8%	2.9%

STPOL

Years Retired	Average Annual Rate of Increase	CPI *Comparison
0	0.0%	0.0%
5	1.1%	2.3%
10	0.4%	2.5%
15	0.7%	3.1%
20	0.9%	3.1%
25	1.6%	4.4%
30	2.0%	5.0%
35	2.3%	4.9%
Weighted Average	1.0%	2.9%

*Consumer Price Index (CPI) - All Urban Consumers: All Items; Not seasonally adjusted; U.S. City average

10. LEGISLATIVE CONCERN: Operation of Experience Account - LASERS AND TRSL

Concern

Although the Experience Account (EA) balance may represent an amount of funds sufficient to cover the expected value of COLA benefits, it does not in itself provide the actual funding necessary to ultimately pay for COLA liabilities.

COLA Funding

The Experience Account is merely a temporary holding account. It does not fund COLA benefits. It only withholds and then releases portions of the investment experience derived from the plan's contributions (and earnings thereon). Those earnings are necessary to meet the actuarial assumed long-term average return of 8.25%. COLA's create additional benefit liability that increases the UAL. It is amortized to the year 2029 and paid with additional employer contributions.

Expected Return

Key to ultimately achieving the expected return is that all investment income is credited to the asset base (contributions and earnings) from which it is derived. If income is diverted for other purposes the assumed rate will not be achieved. This in turn destroys the required match between future benefit payments and assets available to pay for them. Additional contributions will be required from the employer to restore the funding balance between future assets and liabilities.

Impact on Funding

With exceptional investment returns during the nineties, the EA allocations withheld considerable trust income from the actuarial funding valuation. This kept the employer's contribution requirements higher than would have been required if those trust assets had been included. **Unfortunately, when the reverse happens, and investments plummet as they did in 2001, considerable investment losses are withheld from funding and the contributions do not adequately fund the system's expected liabilities under the actuarial funding method.** This exacerbates the fact that additional liabilities were

added by COLA's when the account had a positive balance.

Impact on UAL

The legislative actuary recommends contribution rates independent of Experience Account interference. He asserts that the Experience Account is just a measuring device that the State can use to grant COLA's. The employer has total responsibility for funding the UAL balances.

The combined Valuation UAL of Teachers and LASERS was \$7.4 billion as of June 30, 2002. The only means to avoid an increase in the UAL for future COLA's is to fund for them in advance, with additional appropriations, not from the plan's earnings.

Impact of Experience Account COLA Benefits on UAL

Experience Account Accumulations as of June 30, 2002 (\$millions)

System	LASERS	TRSL	Combined
Allocations	(\$12.8)	\$426.5	\$413.6
Interest	\$132.8	\$402.9	\$535.6
Disbursements	\$390.9	\$1,135.5	\$1,526.4
Balance	(\$270.9)	(\$306.2)	(\$577.2)

COLA Impact on UAL	\$390.9	\$1,135.5	\$1,526.4
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11. LEGISLATIVE CONCERN: Minimum Employer Contribution Limits Under State Constitution

Concern

We are concerned of ramifications to the state if the Employer Credit Account is subsequently determined to be contrary to the constitutional minimum contribution requirements. Additionally, withdrawing assets from funding to establish a prior balance upsets the actuarial soundness of the funding method.

Constitutional Minimum

Louisiana's Constitution requires the legislature to set the member's contribution such that it will not exceed a fixed portion of the total contribution to the retirement system until the original UAL established in 1988 is fully funded. For example, to comply with the requirements, the employer must contribute at least 12 percent for LASERS and 11.8 percent for TRSL based on the employee contribution rates. Upon elimination of the original unfunded liability, the IUAL, the member's contribution cannot exceed the amount contributed on his behalf by the employer.

LSERS (School Employees') is the only state system that had eliminated the original unfunded liability. Thereafter, the constitutional minimum employer contribution, 6.0% of payroll, had exceeded the projected employer contribution and required excess payments by the employer.

Employer Credit Account

Act 1331 of the 1999 Regular Session allows state plans to reduce the annual employer contribution against balances in the Employer Credit Account (ECA). LSERS is currently the only state plan which has an ECA. Act 14 of the 2000 First Extraordinary Session sets the beginning balance for this system at \$56,754,405. Under this act, through the plan year ending June 30, 2002, LSERS employers have omitted their entire 6% of pay contribution and charged it against the ECA. Since the projected contribution has now exceeded the minimum requirement, we do not expect the ECA to receive additional credits in the near future.

Results at LSERS

Members of LSERS, a significant portion being school bus drivers, were granted a pension benefit accrual rate increase to $3\frac{1}{3}\%$ effective July 1, 2001. Previous rates varied from 2.5% to 3.0%. To help pay for this the member's future contribution rate was increased from 6.35% to 7.5%.

The employer pays for a significant portion of the substantial past service cost increase. As a result, the employer's projected actuarial cost increased to \$18.3 million (7% of pay) from \$3.7 million (1.5% of pay) in the prior year. For the past several years, additional new employer contributions have not been made, but are instead charged against trust assets held in the Employer Credit Account (ECA).

The funded ratio for FYE 2002 was 90.5% compared to 102.9% in FYE 2001 and 120.5% in FYE 2000.

12. LEGISLATIVE CONCERN: Expansion of Military Service Credits

Concern

Allowing subsidized military service credits results in substantial potential usage and costs to the employer.

Act 1370 Experience

Act 1370 of the 1999 Regular Session allowed members of the Firefighters' Retirement System to receive subsidized service credits for active military duty between 1/1/1960 and 12/31/1975. To purchase the credits, a member only needed to pay an amount equivalent to the contributions that would have been paid at the time of duty. Previously, these members were required to meet certain military criteria to be eligible to purchase the credit and also paid the actuarial cost of the additional benefits. The Municipal Police Employees' Retirement System has similar provisions.

Actuarial Impact

Within the year following enactment of Act 1370 over 25% of the eligible universe at firefighters purchased an average of 2.5 years of service credit. We estimate that the actuarial liability equates to \$38,600 per member purchase. The member was charged an average of \$1,500 as their share of the purchase, so the net remaining cost to the employer is estimated to be \$37,100 per member purchase. The military service subsidy has carried substantial costs to this system; increased UAL by an estimated \$5 million as of June 30, 2000. Expanding similar military benefit subsidies to other wartime periods and to other systems could result in significant increases to their unfunded liabilities and contribution requirements.

13. LEGISLATIVE CONCERN: Enhancements to Public Plans are Actual or Potential Liabilities to the State.**Concern**

Various bills have been passed with proponents implying that the benefit enhancements do not create a potential liability to the state. In most cases these are misleading or unfounded assertions encouraging the bills to pass.

General

The following statewide systems have reached or exceeded the limits of current existing state funded resources. Each allows normal retirement after twelve years of service upon reaching age fifty-five, except RVRS, which requires twenty years. As the costs of major benefit enhancements and considerable COLA liability emerge, coupled with investment losses, the contribution portion required from local funding may increase dramatically. This could cause a strain on local governmental units who may then turn to the state for assistance through additional appropriation and taxation of our citizens. This is already apparent with Firefighters System. Contrary to the operational fee income available to certain system employers when requesting benefit increases, they are each a public entity, not a private business.

ASSR

Assessors was granted an 11% increase to the future pension benefit accrual rate, from 3% to $3\frac{1}{3}\%$. Effective 7/1/2001 the accrual rate for past service was also increased to $3\frac{1}{3}\%$. To help pay for this the member's future contribution rate was increased from 7% to 8%. The employer pays for a significant portion of the substantial past service cost increase.

64% of the required contribution from public funds is state allocated ad valorem taxes and revenue sharing.

CCRS

Clerks of Court was granted an 11% increase to the future pension benefit accrual rate, from 3% to $3\frac{1}{3}\%$. The employer pays the total cost of this increase.

It was argued that the contribution is fully paid from fees charged to the public by their office. This is a

public entity, not a private business. 45% of the required contribution from public funds is state allocated ad valorem taxes and revenue sharing.

FRS

The funding for Firefighters is paid from local appropriations and a state portion from the insurance premium tax fund (IPTF). The projected employer contribution from public funds has increased 139% since FY 1999, from \$16.6 million to the \$39.7 million projected for FY 2003.

The FY 2003 maximum available from the state's IPTF allocation was \$14.7 million. Since funds available from IPTF are not adequate to complete the required funding for FY 2003, the employer is required to fund the shortage. Remaining IPTF amounts would have been deposited into the state's general funds had they not been required.

The state appropriated an extra amount to assist the system with the 2002 fiscal year contribution requirement.

RVRS

Registrars of Voters was granted an 11% increase to the future pension benefit accrual rate, from 3% to 3 $\frac{1}{3}$ % effective July 1, 1999. The employer pays the total cost of this increase.

100% of the required contribution from public funds is paid by state allocated ad valorem taxes and revenue sharing.

SPRF

Sheriffs was granted an increase in the pension benefit accrual rate, to a uniform rate of 3 $\frac{1}{3}$ % for all years of service under Act 496 of 1999 Regular Session. The prior accrual rates varied from 2.5% to 3.25% depending upon years of credited service. To help pay for this the member's future contribution rate was increased by 11.5%, from 8.7% to 9.7%. Since FY 1999 total public funds expense increased by 120.1%, from \$21.4 to the \$47.1 million projected for FY 2003. However, the state pays for a significant portion of the employer's contribution increase, which included a substantial past service cost.

The state's portion includes ad valorem taxes, revenue sharing and the insurance premium tax fund (IPTF). Ad valorem taxes and revenue sharing contribute \$9.2 million. In FY 1999, prior to the benefit increase, the plan did not require any IPTF money. \$2.0 million was required for FY 2000, \$3.3 million for FY 2001, \$9.1 million for FY 2002. The FY 2003 requirement was limited by the maximum \$8.7 million available from IPTF.

Since funds available from IPTF are not adequate to complete the required funding for FY 2003, the employer is required to fund the shortage. Remaining IPTF amounts would have been deposited into the state's general funds had they not been required for funding the benefit increases.

14. LEGISLATIVE CONCERN: Paying Full Retirement Benefits to Members While Actively Employed.

Concern

Payment of benefits prior to actual retirement can add considerable cost to a member's pension liability, whether paid in the form of DROP benefits or rehired retiree benefits. It appears reasonable to consider whether public employees who are under age 60 should be paid what are essentially bonus checks while actively working. Proponents for DROP and full rehired retiree benefits have not differentiated between working bonuses for younger members and benefits at realistic retirement ages. As a result, the state and statewide plans are absorbing substantial additional liabilities through early payments to public workers that have little relationship to retirement. Partial or misleading arguments are encouraging these bills to pass without adequate considerations of cost or employer objectives.

TRSL - Professors

Proponents urged and were granted immediate unreduced retirement benefits plus full salary for university professors who were DROP retirees and return to work. The provisions of the proposed bill were enacted under Act 18 of the Second Extraordinary 2000 Special Session. It was argued that the cost of this expensive benefit would be paid by the hiring public institutions. Once again, this is not a for profit private business, it's a public entity receiving state funds.

TRSL - All

Act 1173 of the 2001 Regular Session allows all TRSL members who retire, or are retired, and are then rehired to receive full salary and full benefit payments without return-to-work benefit reductions. Payment of full benefits in addition to full salary does not begin until 12 months from the date of retirement.

TRSL - LAE

Act 1046 of the 2001 Regular Session allows any non-bargaining employee who retires and is then rehired to receive full salary and full benefit payments immediately, without benefit reductions or waiting

period. This special legislation appears to have been for the benefit of one individual employee of the Louisiana Association of Educators (LAE).

LASERS - All

Act 455 of the 2001 Regular Session allowed all LASERS members who retire, or are retired, and are then rehired to receive full salary, full benefits, and the full additional accrual of benefits without return-to-work benefit reductions. Payment of full benefits in addition to full salary and additional accrual does not begin until 12 months from the date of retirement except for members who retired and were rehired prior to July 1, 2001. This resulted in substantial anti-selection against current retirement rate assumptions by certain members who immediately retired and returned to work with the significant benefits allowed under this legislation. Act 455 was effectively rescinded under Act 165 of the First Extraordinary 2002 Special Session, but it appears over 600 member applications may have been grandfathered.

15. LEGISLATIVE CONCERN: Impact of AG Opinion on DROP Interest Credited by TRSL and LASERS.

Concern

A recent opinion from the State Attorney General appears to eliminate reductions to segregated DROP account balances for investment experience. This deviates from normal retirement plan administration and is contrary to the actuarial soundness of the plan's funding.

The system's funding assumptions includes an expectation for investment returns that will be earned by the trust's assets. This assumed rate is applied to determine the actuarial funding requirements of the system and applies to all potential benefit liability, including those of any segregated or sub-accounts under the plan. Since the plan is required by law to apply the actuarial return to DROP balances, this inherently becomes part of the actuarial funding return assumption. If in fact, the system is forced to guarantee the sub-accounts against investment losses, it renders the return assumption to be unreasonable and the funding actuarially unsound.

It is natural that there should be investment losses, just as there are gains, in achieving the average expected return rate. If DROP accounts were not to be credited with investment losses it would appear appropriate to credit and thus invest such assets in separate investments expected to avoid negative returns, such as treasury bills. This would preserve the actuarial soundness of the system's funding and maintain reasonableness of the actuarial return assumption.

Based on the actuarial valuations for TRSL and LASERS as of June 30 the estimated combined cost of this opinion for fiscal year 2002 is \$60.6 million. For fiscal year 2001 the cost was \$3.1 million. The cumulative cost impact totals \$63.7 million. This is illustrated in the following tables:

**FY 2002 COST IMPACT OF DROP
AG INVESTMENT OPINION**

On June 30, 2002 DROP Balances

System	DROP Account Balance	DROP Account Yield	Cost Impact
	(a)	(b)	(a) x (b)
LASERS	\$367,540,856	-4.90%	(\$18,009,502)
TRSL	\$672,385,722	-6.34%	(\$42,629,255)
Combined	\$1,039,926,578	-5.83%	(\$60,638,757)

**FY 2001 COST IMPACT OF DROP
AG INVESTMENT OPINION**

On June 30, 2001 DROP Balances

System	DROP Account Balance	DROP Account Yield	Cost Impact
	(a)	(b)	(a) x (b)
LASERS	\$344,794,272	-0.13%	(\$448,233)
TRSL	\$593,414,957	-0.45%	(\$2,670,367)
Combined	\$938,209,229	-0.33%	(\$3,118,600)